Austria	Sch22	Indonesia	Rp3150	Oman	Or1		
Bahrain	Din0.700	Iran		Pakistan			
Belgium	BFr55	Israel		Philippines			
Cyprus	C£0.90	Italy		Portugal			
Denmark	DKr12.00	Jordan		Qatar			
Egypt		Kuwait		S.Arabia			
Finland		Lebanon		Singapore			
France	FFr7.00	Lux		Spain			
Germany	DM2.60	Malaysia		Sweden			
Greece		Morocco		Switzerland			
Hong Kong		Neth		Thailand			
Iceland		Nigeria		Tunisia			
India		Norway		Turkey		UAE	

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,976 Thursday October 19 1989 D 8523A

COMMUNISM

End of History yet to arrive

Page 2

World News

Hungarians approve new basic law for democracy

HUNGARY'S parliament voted overwhelmingly to sweep away the Stalinist elements of its constitution and voted in amendments which will pave the way from a one-party state to a multi-party democracy.

Deputies amended the 1949 constitution, stressed the "values of both bourgeois democracy and democratic socialism," and changed the name of the country from the "People's Republic" to the "Republic" of Hungary. Page 18

Award for dissident

A Chinese astrophysicist, Fang Lizhi, who has been given refuge in the US Embassy in Peking since last June's pro-democracy protests, was announced as winner of this year's Robert F. Kennedy human rights award.

Japanese scandal

Japan's latest political scandal revolving around the *pachinko* (pinball) industry brought parliamentary business to a halt. Page 16

Indian elections

Prime Minister Rajiv Gandhi announced that elections to key state assemblies would be held simultaneously with the general election in late November. Page 4

Conventional forces

Nato and the Warsaw Pact reached agreement in principle on what categories of artillery should be reduced in any future agreement on Conventional Forces in Europe (CFE). Page 2

Aid for Sri Lanka

International donors have pledged $785m in loans to Sri Lanka to support economic reforms, the World Bank said.

PEN writers held

The Czech branch of the international writers' group PEN said it had protested to the Government over the arrests of two editors of the leading independent newspaper Lidove Noviny (People's News).

Singapore offer

Singapore is willing to admit more Hong Kong residents to give the British colony more *bargaining power before it returns to China in 1997*, Prime Minister Lee Kuan Yew said.

Ivory trade banned

A conference seeking to save the African elephant from extinction has banned the ivory trade but Zimbabwe, Botswana and Mozambique said they would not be bound by the ban.

Yeltsin accuses

Boris Yeltsin accused Soviet President Mikhail Gorbachev of trying to purge him from political life.

Bomb in Rome

A small bomb exploded at a Rome building site, the second such attack in a month on construction companies involved in preparations for the 1990 World Cup finals in Italy.

Soviet-Turkish trade

The Soviet Union and Turkey signed a protocol that envisages a fourfold increase to $4bn of annual bilateral trade. Page 3

Lebanese kidnapped

Three gunmen kidnapped a Lebanese Christian professor, Shawki Raya, in Syrian-controlled Moslem West Beirut.

Business Summary

China crisis halts output from car joint ventures

CHINA'S mounting political and economic crisis is bringing all joint ventures with foreign car manufacturers to a standstill.

Production at Volkswagen's Shanghai plant has stopped, Peugeot plans to close its *production line near Guangzhou* and the Beijing Jeep joint venture with the American Motor Corporation is cutting production in Peking. Page 18

WHITBREAD, UK brewing and retailing group, has put up for sale its wine and spirits division which City analysts say could be worth up to $750m. Page 17

RENAULT of France and DAF of the Netherlands are to join forces for the first time to develop a new range of light commercial vehicles to be produced in both France and the UK. Page 17

PEUGEOT: the worst ever strike at Peugeot, French carmaker, appeared to be weakening, although the group was still awaiting a response to its final wage offer. Page 2

BANKERS TRUST, New York bank, is to make a $1.6bn special provision for possible losses on Third World debt, making it one of the most heavily provisioned of the US banks. Page 20

HONEYWELL, US electronic controls and avionics group, reported sharply higher third-quarter earnings of $74.4m, or $1.73 a share from a loss of $41.4m or 98 cents a share. Page 20

WARTSILA, Finnish diesel, securities and sanitary equipments group, acquired a 60 per cent stake in Dutch diesel company, Stork-Werkspoor Diesel. Page 18

HAWKER Siddeley, UK engineering group, hopes to sell businesses which account for about a quarter of annual sales of £2bn ($3.16bn). Page 17

EUROPEAN investment: the rate of growth and fixed investment in the EC will turn down slightly next year, according to the European Commission's annual report. Page 2

POSEIDON, Australian gold company controlled by Robert Champion de Crespigny, is to raise A$316m ($243m) through a share placement and rights issue. Page 21

RABOBANK, big Dutch co-operative bank, paid Fl 60m ($28.2m) to buy a 1.25 per cent in Banco Popular, one of Spain's commercial banks. Page 18

KALMAR Industries: Procordia, Swedish state-owned holding group offered its forklift truck subsidiary for sale in a continuing shake-up of the industry. Page 18

ORIX Corporation, largest Japanese leasing company, formerly known as Orient Leasing, has set up a specialist corporate finance company via Orix Europe, a subsidiary of its European holding company. Page 22

BOND Corporation's complex A$2.5bn ($1.97m) brewing deal with Lion Nathan of New Zealand will not be set formally into motion for another two weeks. Page 21

TOKYO Stock Exchange may settle by the end of the year the issue of allowing UK securities firms Barclays de Zoete Wedd and James Capel to *obtain membership*. Page 22

PHILIP MORRIS, US tobacco and food group which last year doubled its food business by buying Kraft; said third-quarter net earnings rose 20 per cent to $748m. Page 20

UNIT Trusts: technical problems on exchange lines meant that some unit trust/insurance bond prices were not updated in today's editions of the FT.

Erich Honecker: released

Honecker removed after 18 years in power

By Leslie Colitt in Berlin

VETERAN East German leader Mr Erich Honecker stepped down yesterday after 18 years in power following mass street demonstrations in support of political reforms.

His successor, Mr Egon Krenz, at 52 the youngest member of the Politburo, immediately pledged a change in direction for the country.

Mr Honecker, 77, the man behind the building of the Berlin Wall, was "released from all his functions" yesterday by the Central Committee of the country's Communist Party.

Mr Honecker's retirement "on grounds of health" amounted to an ignominious departure only 11 days after he celebrated his country's 40th anniversary with the visiting Soviet leader, Mr Mikhail Gorbachev.

The presence of the reform-minded Mr Gorbachev in East Berlin and massive dissatisfaction with the orthodox leadership triggered growing demonstrations for reforms in East German cities. These reached a peak last Monday when 100,000 protesters took to the streets in Leipzig in the country's biggest demonstration.

Last night, Mr Gorbachev sent congratulations to the new East German leader, stressing his conviction that he would be "sensitive to the needs of the time." Mr Gorbachev underlined simultaneously his belief in the need for reform, and his insistence that East Germany should work out its own solution.

Mr Krenz, former head of internal security, is considered an orthodox party member and hardliner. However, Communist Party officials also said it was Mr Krenz's decision to ask police to stop attacking pro-democracy demonstrators in recent protests.

He faces a mood of defiance and fearlessness in the population which is unparalleled in the country's brief history.

In a television address shortly after his appointment, Mr Krenz underscored his determination to retain the Socialist Unity (Communist) Party's leading role.

He said the Party had failed to evaluate realistically "social developments" and promised that a "turning point" would take place in which the Party would regain the "political and ideological offensive."

Two of Mr Honecker's chief Politburo aides, Mr Günter Mittag, the economic chief, and Mr Joachim Herrmann, responsible for Party propaganda and the media, were also ousted at the Central Committee meeting. Together with Mr Honecker they were held responsible for growing economic distortions and the

Continued on Page 16

Bush pledges San Francisco disaster relief

By Louise Kehoe in Monterey and Peter Riddell in Washington

AT LEAST 272 people died and 650 were injured in the earthquake which destroyed buildings and broke lines of communications throughout the San Francisco Bay area of northern California.

The earthquake, the worst in the US since the one that devastated San Francisco in 1906, registered 6.9 on the Richter scale of severity and was centred on the San Andreas Fault north-east of Santa Cruz and south of San Francisco.

The scale of the damage, with buildings and bridges collapsed has stunned America. Referring to a "terrible tragedy," President George Bush immediately signed a disaster relief declaration to provide Federal *support and financial assistance*.

The earthquake violently wrenched and shook buildings and brought traffic to a sudden halt.

Most of the casualties were drivers returning home at the height of rush hour. The shaking seemed to last for at least a minute, although official reports say it was all over in 15 seconds. Electrical power was cut and telephones went dead, plunging the area into an eerie silence, broken within a few moments by the wailing sirens of fire-engines.

About 253 died when the upper level of a two-tiered highway collapsed on to the lower level on the eastern side of the Bay in Oakland. Rescuers *said many who were* trapped by fallen concrete had been killed by fire.

The quake impact was felt nearly *100 miles away with* broken windows, fires, and disruption of power, telephone, water and other services for *more than 1m people*.

Apart from the highway collapse in Oakland, the most obvious damage came when part of the upper level of a section of the Bay Bridge fell on to the lower level, closing the main direct road link between Oakland and San Francisco.

Santa Cruz, a seaside town famous for its boardwalk, which was near the epicentre, was badly hit with much of its downtown shopping area reduced to rubble. Watsonville, an agricultural and industrial area further inland was also hard hit.

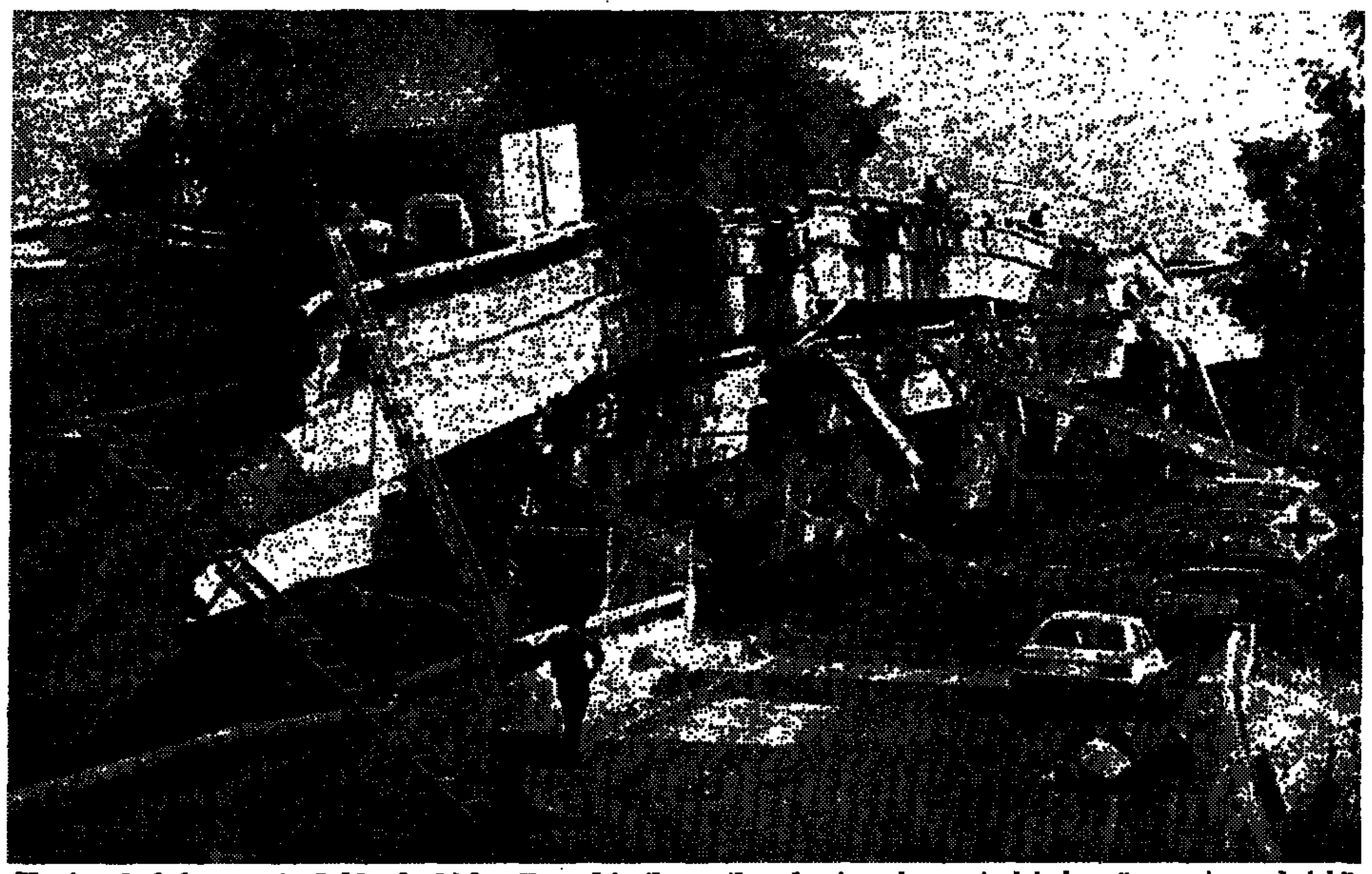
In San Francisco, there was heavy damage in the Marina district, a high-priced residential area to the north of the city. About 30 *or 40 homes* have been destroyed. Local airports were closed for a period and roads and bridges remained blocked.

Some rioting and looting was reported in inner-city areas of San Francisco and troops and National Guardsmen were sent to the city.

Mr George Deukmejian, California's Governor, who cut short a trade mission to West Germany to return home when news of the quake came in, said: "The devastation is just horrible and we're just shocked."

The impact on the American public was intensified because Details, Page 6; Crowd calls Play Ball, Page 16; Observer, Page 14.

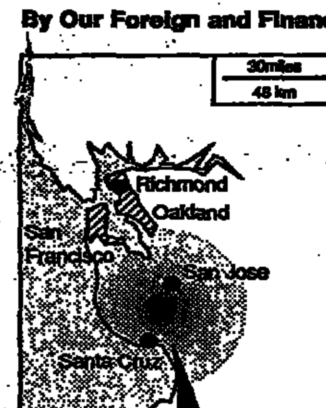
Continued on Page 16



The two-deck freeway in Oakland which collapsed in the earthquake, trapping motorists in a "concrete sandwich"

Insurers suggest losses may be limited

By Our Foreign and Financial Staff



Epicentre of earthquake

INSURERS shared a cautious belief yesterday that losses from the earthquake will be limited, with some estimates as low as $1bn.

Most damage was to infrastructure, such as roads and bridges. Most buildings seemed to have remained intact. Business in the city's banking and financial sector slowly returned to normal yesterday.

Munich Re, the world's largest reinsurer, said it was too early to talk about the ultimate cost of the disaster, but that "one thing we can say: We have known this would happen." Insurance and reinsurance companies have this traditionally limited their liability in the event of a California earthquake. Swiss Re said it expected its liability to be less than SFr100m ($62.5m).

The area's high-tech industries closed yesterday, but most larger computer companies seemed to have survived intact. For Silicon Valley's smaller semiconductor companies, however, the outlook may not be so bright. Many use highly sensitive technology that is likely to be damaged.

The earthquake, combined with losses on last month's Hurricane Hugo, will probably exhaust insurers' loss reserves and force them to raise premiums and seek cover in the reinsurance market.

South Africa reschedules debt on eve of sanctions debate

By Patti Waldmeir in Johannesburg and Robert Mauthner in Kuala Lumpur

SOUTH AFRICA and its foreign creditors yesterday announced a surprise agreement to reschedule repayment of $8bn of the country's debt, a defeat for anti-apartheid activists who had pressed creditors to refuse a rescheduling.

The timing of the announcement was dramatic, coming as Commonwealth heads of government prepared to debate the issue of economic sanctions against South Africa at their summit in Kuala Lumpur, Malaysia.

Mr Abdul S Minty, who is attending the summit on behalf of the Anti-apartheid Movement, said the agreement "changes the whole situation."

"The South African announcement is clearly intended to provoke the Commonwealth. It means that the banks have decided to extend a lifeline to the apartheid sys*tem," he said.*

In recent months, the anti-apartheid movement worldwide had focused its efforts on *preventing a rescheduling*, believing that such financial sanctions were its most powerful weapon against Pretoria.

Anti-apartheid lobbyists, both inside South Africa and abroad, had pressed commercial banks holding debt covered by the country's 1985 debt standstill to refuse to renew the current rescheduling agreement, which expires in June next year.

Last night the South African Reserve Bank, the central bank, announced that the so-called "second interim arrangement", which covered the period July 1987 to June 1990, is to be extended to 31 December 1993.

Banks had been under pressure to agree, if at all, to annual reschedulings only. This would have caused significant disruption for Pretoria and allowed the anti-apartheid movement political leverage over South Africa during the crucial 1990-1991 period, when the country also has substantial repayments to make on *debt not* covered by the standstill agreement.

The new agreement will allow Pretoria to get over the debt "hump" of the next two years, after which repayments will decline substantially.

Britain's Anti-Apartheid Movement criticised the agreement last night. "It's a real setback because the banks were uniquely placed to put pressure on Pretoria to speed up process of change. It's a most favourable agreement for South Africa, especially since it eases pressure over the period 1990-91, precisely the time when the international community should be exerting maximum pressure."

Mr Chris Stals, the Reserve Bank governor, estimated that some $8bn of debt would be affected by the agreement. Repayments under the agreement would total some $1.5bn, slightly higher than the $1.42bn in repayments provided for under the previous rescheduling.

Fighters face change of tactics, Page 4.

MARKETS

STERLING
New York lunchtime: $1.5895
London: $1.5885 (1.5825)
DM2.945 (2.9325)
FFr10.00 (9.97)
SFr2.5825 (2.57)
Y225.00 (223.75)
£ Index 89.3 (89.0)

GOLD
New York: Comex Dec $372.1
London: $(367.5)

N SEA OIL (Argus)
Brent 15-day Nov $19.525 (−0.125)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime: DM1.8583
FFr6.2965
SFr1.626
Y141.75
London: DM1.851 (1.853)
FFr6.295 (6.30)
SFr1.626 (1.6235)
Y141.65 (141.45)
$ Index 69.7 (69.8)
Tokyo close: Y142.10

US LUNCHTIME RATES
Fed Funds $8\frac{11}{16}$%
3-mo Treasury Bills: yield: 7.762%
Long Bond: 101
yield: 8.032%

STOCK INDICES
FT-SE 100: 2,170.1 (+34.6)
FT Ordinary: 1,758.5 (+27.8)
FT-A All-Share: 1,089.30 (+1.7%)
New York lunchtime: DJ Ind. Av. 2,650.82 (+12.09)
S&P Comp 348.06 (+1.9)
Tokyo: Nikkei 35,107.56 (+111.48)

LONDON MONEY
3-month interbank: closing 15% ($14\frac{15}{16}$)
Liffe long gilt future: Dec $93\frac{1}{32}$ ($93\frac{7}{32}$)

MARKET REPORTS: CURRENCIES, Page 38; BONDS, Pages 22,23; COMMODITIES, Page 30; EQUITIES, Page 31 (London), 42 (World)

CONTENTS

Freedom fighters face up to a change of tactics

Both sides to the conflict in South Africa have been thinking things over since Mr F W de Klerk released *top ANC members*. Now it seems clear that after years of violence, the two are finally engaging each other politically

Page 4

E Germany braced for rule by the hardliner nobody loves

By Leslie Colitt in Berlin

MR EGON KRENZ, who succeeded Mr Erich Honecker yesterday as the East German Party leader and President, comes to power with the ominous reputation among East Germans of being even more of a hardliner than his 77-year-old mentor.

Mr Krenz is faced with rising popular unrest and an organised opposition movement which could soon put his reputation to the test.

However, the choice of the 52-year-old Mr Krenz, who suffers from diabetes, was a logical one for the arch-conservative ruling Politburo. The leadership is desperately trying to preserve the Party's leading role in the face of a wave of spontaneous protest demonstrations.

Mr Krenz's credentials for the job appeared impeccable. He served as the Central Committee Secretary in charge of internal security and was thus seen by his fellow Politburo members to be the right man for the daunting task of preserving order when events seemed to be slipping out of control of the Party apparatus.

A senior Socialist Unity (Communist) Party official said Mr Krenz was "very firm" which was what the Party needed. He also extolled his lack of formality compared with the introverted Mr Honecker.

Extreme firmness, however, is precisely the trait reform-minded Party officials feared. They were looking for a reformer in the Mikhail Gorbachev mould such as Mr Hans Modrow, the Party chief in Dresden district, who might have been able to rally a highly mistrustful population behind a programme of sweeping reforms.

East Germans reacted with deep scepticism to Mr Krenz's rise to power. "I don't know anyone who likes him so that his standing with the people cannot get much worse," one East Berlin office worker.

Mr Krenz's reputation suffered further last June during a visit to West Germany when he supported the crackdown in China on the democracy movement. At the same time, it was noted that the security forces under Mr Krenz's control were kept well out of sight during this week's massive demonstration in Leipzig. The leadership appeared to have learned something from the sharp public reaction in East Berlin to the police brutality in demonstrations there on the October 7 East German anniversary. Thousands of young people still crowd Gethsemane Church in East Berlin where nightly vigils are held in protest against the arrests.

Mr Krenz's former responsibility for youth affairs, in addition to security, did nothing to boost his popularity. Although previously in charge of the Free German Youth Organisation (FDJ), he was wholly out of touch with the bitter mood among young East Germans. Tens of thousands flocked to the West in recent months although the Party continued to trumpet its role as the vanguard of youth.

Mr Manfred Stolpe, a leading East German Protestant Church official and expert on the Politburo, said recently that the rise to power of a tough "law and order" leader would be resented.

Mr Krenz, however, is himself under pressure to head off even greater unrest by introducing some reforms. Among the first could be the easing of travel to the West which was already signalled under Mr Honecker.

Mr Krenz is also likely to attempt to reduce crippling subsidies which keep artificially low prices for basic foods, housing, transport and services. These were an article of faith for Mr Honecker. But the dilemma for Mr Krenz is that price rises require an atmosphere of trust between the leadership and the populace which is non-existent.

One mild consolation for Mr Krenz is that Mr Honecker was also highly unpopular when he rose to power in 1971, having supervised the building of the Berlin Wall a decade earlier. By the early 1980s many East Germans were paying him grudging respect for his determination to continue the dialogue with West Germany at a time when the pre-Gorbachev Soviet leadership was threatening to sever these ties.

But Mr Krenz, like Mr Honecker, will need more than good relations with Bonn to survive the new phenomenon of ordinary East Germans marching through the streets of their cities chanting "We are the people".

Krenz: an informal manner which contrasts with his predecessor's

Kremlin denies rift with press reformers

By Quentin Peel in Moscow

A TOP member of the Soviet leadership yesterday denied reports of a split between the Kremlin and the most outspoken reformers in the Soviet press, as journalists confirmed that a senior newspaper editor was fighting for his job.

Mr Yevgeny Primakov, an alternate member of the politburo, revealed that Mr Mikhail Gorbachev had given a stiff lecture to newspaper editors last Friday, urging them "not to exaggerate the difficulties (in Soviet society), in order not to produce an anti-perestroika reaction."

He insisted that the meeting did not represent a confrontation between the press and the leadership, but he failed to reassure a delegation from the International Press Institute about the threat to the job of Mr Vladislav Starkov, editor of the mass circulation weekly Argumenti I Fakti.

Staff at the newspaper, the most popular publication in the Soviet Union, with sales topping 24m, confirmed yesterday that Mr Starkov had rejected an order to resign, and the offer of alternative jobs.

They said that the journalists had voted 43-3 to back their editor in any confrontation with the Kremlin.

Earlier, Mr Peter Galliner, director of the International Press Institute, meeting for the first time in Moscow in tribute to glasnost, issued a ringing denunciation of any threat to Mr Starkov.

"It is not only a case of a threat to Mr Starkov," he said. "It is a threat to all our colleagues who have the courage to speak out. It is a threat to the freedom of expression."

The row over Mr Starkov's job, in jeopardy after the publication of an opinion poll of readers which showed that radical reformers and non-members of the Communist party were much the most popular members of the Congress of People's Deputies, has brought to a head a series of confrontations between reformers and the Soviet leadership, including Mr Gorbachev.

Mr Boris Yeltsin, the hugely popular ex-leader of the Moscow Communist party, accused Mr Gorbachev of co-ordinating an attempted "purge" against him, by seeking to ridicule him in the Supreme Soviet. He was accused this week of inventing an assassination plot against himself, claiming he had been kidnapped and thrown into the Moscow river.

At the same time, 35 members of the Supreme Soviet sent a letter to Mr Gorbachev, demanding full details of why he had attacked another leading radical deputy, Mr Yuri Afanasyev, and Mr Starkov, at last Friday's meeting.

The fullest account of the meeting so far was published yesterday by Moscow News, written by the editor, Mr Yegor Yakovlev.

He quoted Mr Gorbachev as saying that those who read the Soviet press "get the impression that we are in a place up to our necks in petrol, and all that is needed is one spark."

He said the Soviet leader spelt out precise details of his accusations against the press for two hours – leaving the editors so stunned that they decided not to reply.

● The decision by the World Psychiatric Association to readmit the Soviet Union after a six-year gap was criticised yesterday by a group of dissident Soviet psychiatrists as too hasty, writes Kerin Hope in Athens.

"It would be better if the Soviet Society of Psychiatrists were given a period of time to show they were mending their ways," Dr Algirdas Statkevicius, a member of the Amsterdam-based International Association on the Political Use of Psychiatry, told a news conference. "After four years of perestroika, the situation hasn't changed. Soviet psychiatry is still inhumane."

The WPA general assembly has conditionally approved the readmission by 291-45 with 19 abstentions. If a WPA committee finds evidence of psychiatric abuse for political purposes during a tour of Soviet psychiatric institutions, a special assembly will be called to vote on suspending membership.

Cracks appear in solidarity of Peugeot unions

By William Dawkins in Paris

THE WORST ever strike at Peugeot, the French car-maker, yesterday appeared to be weakening, though the group was still awaiting a clear response to its final wage offer.

Yesterday morning's vote on the proposal for a 9 per cent increase for the poorest paid, plus an increase in profit incentives, took place in chaotic decisions amid much heckling and angry debate.

By late afternoon, management at the two plants involved, Mulhouse and Sochaux in north-eastern France, had counted just over 1,000 workers on strike, a sharp decrease on the 4,600 reported to be refusing to work the previous day. The total workforce at the two assembly plants, Peugeot's largest, is 35,000. The dispute has roughly halved their production for the past seven weeks and deprived Peugeot of nearly 4 per cent of this year's turnover.

The Communist-led CGT union was yesterday leading the hard core of strikers continuing to refuse the management's offer, while most of the five other unions involved appeared to be ready to end the dispute. However, the situation was unclear, with unions divided both within and between themselves, said a Peugeot spokesman. He confirmed that the management had no plans to renegotiate the wage offer, which comes on top of a 2.7 per cent award made earlier this year.

CFE agrees what guns to cut

By Judy Dempsey in Vienna

AFTER AN intense round of negotiations in Vienna, Nato and the Warsaw Pact have reached agreement in principle on what categories of artillery should be reduced in any future agreement on Conventional Forces in Europe (CFE).

It is also expected today, when the talks go into recess, that the Warsaw Pact will present new measures on the exchange of information, including data on forces, sites and weapons systems, as well as verification measures aimed at monitoring compliance with any future CFE treaty.

These would be in response to the Western Alliance's detailed proposals tabled last month.

The agreement on artillery, which represents the first breakthrough in a common definition of one of the six categories of forces under discussion here, comes at a time when both East and West seem determined to have a final treaty on reducing conventional forces from the Atlantic to the Urals, ready by the second half of 1990.

The agreement stipulates what lists of artillery weapons, with a calibre above 100mm, which will be subject to reductions.

The aim of the CFE negotiations is to increase stability and lower the possibility of a surprise attack by reducing conventional forces to equal ceilings.

Nato and Warsaw Pact diplomats agreed yesterday that "substantial progress" had been made over the past two months and that "both sides now have a much clearer idea of the problems facing them" at the next round which opens in early November.

In particular, several issues are likely to take precedence:

● The question of aircraft. Despite the Soviet Union's recent decision to include all tactical aircraft in the CFE talks, it still continues to exclude a number of air defence aircraft, including intermediate and strategic bombers, permanent land-based naval aviation and more than 4,500 trainers, half of which can double up as combat aircraft.

Nato diplomats argue that these could be used against Western Europe.

● Both sides have agreed that helicopters have to be included in any future reductions. But agreement on making a distinction between combat (to be included in reductions) and transport (to be excluded) is likely to raise difficulties.

● The question of how the reductions will be distributed from the Atlantic to the Urals, and in what geographical zones, remains very much an open question, with Nato committed to retaining its storage depots across Central Europe.

Philips attacks US trade policy

By Guy de Jonquières, International Business Editor

PHILIPS of the Netherlands, one of Western Europe's largest electronics manufacturers, yesterday accused the US of creating a trade "fortress" by excluding foreign companies from the Sematech semiconductor technology consortium.

However, Mr Cor van der Klugt, Philips' president, said Europe must resist the temptation to retaliate by keeping US companies out of its equivalent programme, the Joint European Submicron Silicon Initiative (Jessi). Philips is a leading member of Jessi.

Mr van der Klugt told the Royal Institute of International Affairs in London that many US companies had subsidiaries which made a valuable contribution to the European Community and participated in research and development programmes subsidised by Brussels.

However, he said, even US-based subsidiaries of foreign companies which had extensive US production and research activities were being kept out of Sematech, a joint industry programme partly funded by the Defence Department. "It would be deplorable if, in response, certain US companies in Europe were not admitted to Jessi," he said.

"That would mean that the US and Europe, losing one industry after the other to Far East competitors, would conclude that national treatment in the classic sense is no longer a viable government policy and would restrict or eliminate it in favour of protection of purely domestic industry.

"The mood of politicians tends to favour this result and there are politicians – and others – on both sides of the Atlantic who see economic nationalism as good politics, if not good economics," he said. "But the reality must be otherwise."

Mr van der Klugt defended the EC's use of anti-dumping actions and local content rules against Japanese companies.

News of the End of History fails to reach Europe

The pot is still boiling merrily despite Fukuyama's attempts to snuff out the fire

IAN DAVIDSON
ON EUROPE

MR Francis Fukuyama, formerly of the Rand Corporation and now of the US State Department, has attracted an inordinate amount of attention with his proclamation that we have reached The End of History. With the collapse of the Communist bubble, he argues, we are witnessing the final, universal and irrevocable triumph of the liberal ideals of pluralistic democracy and market economies. From here on, there will only be footnotes to this apotheosis of liberalism.

This thesis may sound plausible in California, but in the context of what is going on in Europe, it seems plain daft. History may have ended for the Rand Corporation, but on this side of the Atlantic it is boiling most actively.

Despite a learned disquisition on the theories of Hegel, Mr Fukuyama's real message is rather crude. We struggled with the demon of communism, he seems to be saying, and we won. And like some old soldier, he admits to a tinge of nostalgia at the passing of the manichean conflict. The end of history will be a very sad period, he concludes.

At a certain level, of course, Mr Fukuyama has a point. Since the arrival of Mikhail Gorbachev, Communists everywhere have been confessing publicly that they have got almost everything wrong, not just in practice but even in theory. If the question is: has communism failed? there is no longer any significant debate about the answer.

But if the question is: does the world now bask in a new consensus on the universal politico-economic model? the answer is an emphatic No. For a start, there is the obvious fact that in many countries, perhaps in most, the liberal model will be spurned by political leaders who are not the least bit liberal: the "manifest" superiority of pluralist democracy and market economics will not prevail over cruder and more brutal systems of government.

But, even in the relatively civilised world there are at least three counts against Mr Fukuyama's hasty conclusion. Even though market pricing has won a significant intellectual victory over the theoretical claims of command economics, in Europe, East and West, there continues to be a profound ideological debate over forms and systems of government.

In Eastern Europe, the Hungarians and the Poles seem to be moving rapidly in the direction of the liberal, pluralistic model. But Mikhail Gorbachev, who is, after all, the moving force behind the ideological upheaval in the so-called East bloc, is still publicly committed to socialism. Whatever his deepest thoughts on the matter, it would be foolhardy to under-estimate the continuing force of *some* form of the socialist ideal.

Much the same is true, *mutatis mutandis*, in Western Europe. The socialism of Western European Socialists is much less categorical, and the spectrum of ideological debate narrower than before. But the dialectic between Socialists and Conservatives is still very real. If Mr Fukuyama thinks The End of History means the universal acceptance of Mrs Margaret Thatcher's brand of free-for-all, he is simply ill-informed about this side of the Atlantic.

The reasons for this continuing European debate are twofold. First, all of the world's most influential politico-economic models, both general and special, were dreamed up in Europe; and these competing dreams continue to co-exist, and to evolve. By Mr Fukuyama's yardstick, History must have ended a very long time ago in America; indeed, perhaps it never started there. But in Europe the left-right debate remains very much alive, even though there is now a much broader consensus on the usefulness of market forces.

Second, the press of events in Eastern Europe, and the integration of Western Europe, are forcing Europeans to debate their political and economic priorities. Pope's dictum: "For forms of government let fool contest; whate'er is best administer'd is best", simply cannot apply to a situation where Europeans are dreaming up revolutionary new arrangements for relations between sovereign states. Governments are having to take fundamental decisions about the future government of Europe, and they cannot avoid the ideological debate about the nature of government and the values of the societies they represent.

Some of the protagonists conduct their side of this debate purely in the primitive, atavistic terms of national sovereignty. For them, History Ended with the creation of the nation-state; its prerogatives override all other considerations, and the less there is of Europe, the better it will be. Others seem to think the question posed can be rendered harmless if it is restricted to a discussion of pragmatic instrumentalities: decisions need only be taken on a case-by-case basis, according to what seems likely to work best.

There are at least three reasons why neither approach will do. First, the tide in Europe is running towards closer political and economic integration: neither nostalgia nor bureaucratic caution are a sufficient response.

Second, the challenge of events in Eastern Europe requires a co-ordinated response from Western Europe, and the countries of Western Europe can only provide that response and *safeguard their own interests* if they commit themselves to a process of closer integration.

Third, it is simply absurd to imagine that social values and political ideology will remain enshrined in the nation state, whereas the Community can be ideologically neutral. In the process of building the Community, the member states cannot avoid incorporating the values of their societies. Since the ideological argument is still alive at national level, it is bound to be even fiercer on the threshold of major decisions at the Community level.

The fierceness of that argument can be measured by the gulf between the speech in Bruges this week of Mr Jacques Delors, president of the European Commission, and that of Mrs Thatcher, Britain's Prime Minister, in the same place exactly a year ago. Mrs Thatcher called for a Europe of nation-states with the minimum of integration; Mr Delors appeals for a powerful Europe, in which economic and monetary union would be a symptom of political integration.

But the under-current of their debate goes well beyond a shallow argument over national sovereignty, and reaches down into a deeper quarrel over social values. "Our era," says Mr Delors, "is too dominated by a new mercantilism, and young Europeans expect more of us . . . Beyond a triumphant nationalism and excessive individualism, ethics are returning in strength . . . The question is this: what sort of society are we building?"

The *locus classicus* of this debate lies in the argument over the Commission's projected European Social Charter. But this argument is not really about EC competence; it is about fuzzier notions, like individualism versus solidarity, violence versus security, freedom versus bureaucracy. And nobody who had read the Thatcher and Delors speeches could pretend for a moment that History had Ended.

Here is one way to sum up the central questions facing the new Europe. "The policy of disarmament in which the USSR and the United States are engaged, offers not only the prospect of peaceful co-existence between states, but a general change in mentality against any form of violence towards men. Step by step, the politics of force tend to give way to the force of politics as a method of settling social conflict." This is part of an extended attack on the Stalinism of the French Communist party by a would-be Communist reformer. The author, Charles Fiterman, was not specifically talking about Europe; but it comes to the same thing.

Portuguese Government approves privatisation law

By Patrick Blum in Lisbon

THE Portuguese Government has approved a new privatisation law allowing it to fully sell state-owned companies nationalised during the 1975 revolution. Until now, the Government could only sell up to 49 per cent of shares in state-owned companies.

The new law will be presented to the National Assembly where the ruling Social Democractic Party (PSD) has an absolute majority. Its adoption will be the last stage in government efforts to untangle the web of legal obstacles to its planned denationalisation of state-run companies.

The new law was made possible following the completion of a reform of the 1976 Constitution in June after three years of tortuous negotiations with opposition parties to rally the necessary two-thirds majority neeeded for constitutional changes. The new constitution plays down "workers' conquests" and dropped references to "socialisation of the main means of production."

Mr Anibal Cavaco Silva's administration will now be able to press ahead with its programme of re-privatisation which includes selling off state-owned banks, insurance and manufacturing companies.

The law will maintain restrictions on the amount of shares that can be bought by foreigners in privatised companies, but limits will be set on a case by case basis. Until now foreigners have been allowed to buy only up to 10 per cent of the 49 per cent shares floated in the three companies part-privatised this year.

This has caused frustration among international investors eager to take a major stake in Portuguese companies in preparation for the 1992 European internal market.

The Government will maintain its right to "intervene" in companies should it be necessary "for the public or national interest." The authorities are also looking at ways to ensure that some of Portugal's larger banks and companies do not fall into foreign hands. One idea is to encourage the creation of a "hard nucleus" of Portuguese investors through a preselection process.

Direct foreign investment in Portugal will be more than Esc300bn ($1.8bn), this year, more than double the amount in 1988, the Trade Ministry announced yesterday.

EC deadline near for air deal

By Tim Dickson in Brussels

BRUSSELS competition officials believe that a six-month-old routes and fares agreement between the French national carrier, Air France, and its domestic counterpart, Air Inter, is anti-competitive, but have only a few more days to convince the European Commission to block the accord.

The issue was to have been discussed at the Commission yesterday, but was at the last minute taken off the agenda, seemingly in deference to a meeting on Tuesday evening between Mr Michel Rocard, the French Prime Minister, and Sir Leon Brittan, the Competition Commissioner.

Next Wednesday's Commission meeting is the last chance Brussels has to take action against the deal, which had to be notified last March to the Commission under the rules of the first airline liberalisation package agreed between member states at the end of 1987.

The terms of the accord between the two French airlines effectively allow Air France the right to operate all Air Inter's external routes, and give Air Inter the responsibility for operating Air France domestic flights. The agreement also lays down precise rules about cut price tariffs.

According to the submission made to the Commission the aim is to improve services to customers, increase technical co-operation so that prices can be reduced, and boost competition."

After examining the evidence, however, Sir Leon has concluded that the deal looks like an attempt to share out the market. He does not believe that the two airlines should be granted an exemption under Article 85(3) of the Treaty of Rome and favours a Commission "statement of objection" at this stage pending negotiations between the two airline partners.

The Commission, meanwhile, has not yet made up about a separate complaint from UTA, another French airline, over the French Government's refusal to let it operate on the European market.

Surprise candidate runs for Turkish presidency

By Jim Bodgener in Ankara

A SURPRISE candidate for the Turkish presidency emerged yesterday from within the ruling Motherland Party (ANAP) in the form of Mr Fethi Celikbas. Mr Celikbas claims that he is standing to provide competition for Mr Turgut Ozal, the Prime Minister,

His candidacy appears to be a protest gesture by the party's disgruntled old-guard centrists against Mr Ozal, who is also party chairman.

"I put myself forward because only one candidate gives the people no choice," Mr Celikbas said yesterday. "In the third round of voting, Mr Ozal will win," he added.

The 26 Motherland Party MPs backing Mr Celikbas include a former parliamentary speaker, Mr Necmettin Karaduman, and former deputy premier Mr Kaya Erdem.

President Kenan Evren's seven-year term of office ends on November 9. There are four rounds of voting until November 4, after which general elections must be called if there is no clear winner.

Mr Ozal seems almost certain to be elected in the third round on October 31, when only a simple majority in the 450-seat house is required.

Brussels forecasts 3% Community growth next year

By David Buchan in Brussels

THE RATE of growth and fixed investment in the European Community will turn down slightly next year, according to the European Commission's annual economic report released yesterday.

Mr Henning Christophersen, the Commissioner responsible for macro-economic affairs, said he saw nothing in this week's dramatic stock market jitters to make him want to revise further downwards his estimate that the EC's 12 states would record an average 3 per cent real growth next year, down from 3.5 per cent this year. He warned, however, against governments over-using monetary tools, like interest rates, to control inflation.

Little in the annual report for 1989-90 differs from the Commission's last forecast in June, with the exception that Brussels now belives that the surge in average Community inflation since mid-1988 has stopped. "Thanks to a swift reaction by monetary policy-makers and to a softening in import prices in the course of 1989, this trend now appears to have been halted," it says. Thus, average inflation, as low as 3.6 per cent in 1988, could come back from 5 per cent this year to 4.5 per cent next year.

However, the report reiterates concern about the rate of price rises in some countries, particularly those outside the European Monetary System – Britain, Portugal and Greece. Mr Christophersen noted that unit labour costs were rising in the UK at an annual pace of 8 per cent, twice the EC average.

Referring to the recent interest rate rises in the UK and elsewhere, he said: "Monetary measures can, at a certain point, be counter-productive in their side-effects, such as fuelling pressure for wage rises."

He went on: "We look forward to the day when the UK joins the EMS," adding that Spain had not been afraid to take the plunge and join the EMS' exchange rate mechanism in June, despite its fairly high inflation rate.

Mr John Smith, the British Labour party's economic spokesman, told the European Parliament's Socialist group in Brussels yesterday that the main UK opposition party was "eager to negotiate early entry" into the EMS parity grid. However, he set this eagerness in the context of the Community adopting an effective growth strategy, still greater transfers of regional aid, and more co-ordination among its central banks to counter currency speculation.

The report also repeats previous Brussels warning notes about current account imbalances between EC states. It says that some imbalance is natural, with less developed states importing capital from the more developed to boost industrialisation. But the combined deficits of Spain, Portugal and Greece amount to less than one quarter of the West German current surplus. At 6 per cent of West German GDP, this surplus poses "a danger for exchange rate stability in the Community".

But Mr Christophersen dismissed any immediate danger of an EMS re-alignment. One reason, he said, was the Commission's forecast that French and West German inflation rates would converge at 2.75 per cent next year, as measured by the deflater of private consumption. Another, he said, was that Mr Pierre Bérégovoy, the French Finance Minister, had repeatedly ruled out devaluing the franc against the D-Mark. But the risk of EMS instability remained in the long term, he said.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

EC bank sector voices fears over liberalisation

By Peter Montagnon, World Trade Editor, in Brussels

BANKING should be singled out for special treatment in the Uruguay Round negotiations on liberalising international trade in services so as to ensure that the quality of prudential supervision is retained, Mr Umberto Burani, Secretary General of the European Community Banking Federation, said yesterday.

"We do accept the principle of global negotiations on trade in services, but we do not accept the principle of horizontal negotiations – that is trading off banking services against other services," he said in an interview.

Mr Burani said his federation, which represents banks across the Community, had written informally both to the Commission and national governments seeking assurance on this point.

Evidence of European concern over the issue of banking is likely to worry trade policy-makers who have been seeking agreement on liberalising services in the Uruguay Round of the General Agreement on Tariffs and Trade. They are concerned that any global agreement will quickly become fragmented if special treatment is accorded to such an important sector as banking.

Mr Burani said the Commission had not yet replied to his request for special consideration but the problems he referred to are already mirrored by arguments in Washington over whether the US Treasury or the US Trade Representative's Office (USTR) should have responsibility for negotiating on banking.

As a temporary measure, the USTR is taking the lead on negotiations involving procedure while the Treasury has assumed responsibility for discussing points of substance, but fundamental differences between the two sides remain over how far a sector like banking should fall into the domain of trade policy-makers.

Mr Burani's concerns show that this problem is now spreading to Europe in what some trade officials see as a backlash against the Uruguay Round negotiations.

He stressed that the European banking industry was not seeking to separate out banking so that reciprocity principles could be applied through the back door but he noted that a precedent for special treatment had already been set by the US in its free trade agreement with Canada where banking issues were dealt with separately by the Treasury. Monetary and banking regulators should at least be associated with the Uruguay Round talks, he said.

He declined to spell out specific points of concern but commercial bankers say one consideration is that the Gatt rules on services could erode the authority of bank supervisors who are best able to judge the quality of entrants to the market.

Traditionally, international discussion of banking issues has been handled by finance ministries or specialised supervisory agencies which are used to talking among each other informally and this process may also be made more difficult by the intervention of trade policy rules, they say.

International trade policy officials, who have been seeking agreement on liberalising services under the Uruguay Round, are likely to resist the idea of special treatment for banking. Their fear is that, as soon as an important sector such as this receives special treatment, similar demands will pile up from other sectors such as shipping and air transport where restrictive attitudes run deep.

UK exporters fear the 'zero option' for credits

Peter Montagnon on the uncertain future of the British department responsible for backing exports

A CHILL wind of uncertainty is swirling round the project division of *Britain's Export Credits Guarantee Department* (ECGD) in the wake of reform discussions provoked by publication of the Kemp Report on the department's future earlier this year.

Mr Robert Kemp, a former senior official of ECGD, recommended in his report that the department's profitable short-term insurance division should be spun off into a separate company that could compete for business in Europe and might eventually attract private capital.

But with a subsequent report by an inter-ministerial working party endorsing this idea now before Mr Nicholas Ridley, Secretary of State for Trade and Industry, attention has been turning to the question of where this leaves ECGD's other half – the beleaguered project division, which handles all Britain's long-term export credit guarantees.

Anxiety among exporters has grown as it has become clear in the discussions surrounding the Kemp Report that the Treasury has strong reservations about the value of retaining the Project Division, or indeed of continuing to subsidise the interest rate on medium-term export credits to poor countries as is permitted under the international rules set by the Organisation for Economic Co-operation and Development.

It is regarded as scarcely a coincidence in the exporting community that last week the ECGD sprang to its own defence with the release of an independent report on its Project Division by Ashridge Management Development Services which showed that customers had noticed an improvement in its services over the past two years. This week Mr Martin Laing, Chairman of the Overseas Committee of the Confederation of British Industry urged Mr Ridley not to scrap the Project Division if he decides to go ahead with the Kemp report proposals for short-term insurance.

The Treasury is guarded in its comments. "Treasury Ministers have not decided on the zero option (for the Projects Division), though they did ask for it to be examined," a spokesman said in response to inquiries.

Exporters say that the Treasury has used the working party on the Kemp report to ensure that this option is indeed considered. Its officials have stressed ECGD's financial weakness with negative reserves of £250m, its trading deficit of £86m, £1.2bn borrowings from the Government's consolidated fund and the £6bn in sovereign debt reschedulings it has undertaken since 1982, and have said the situation is getting worse rather than better.

Additional rescheduling by Jordan and Cameroon in the past year will mean a further increase in its losses for the year to the end of March 1989 when the accounts are eventually published. Even some of the debt insured since the debt crisis broke is now going sour and there will have to be a further substantial increase of loss provisions in the next set of accounts.

None of these arguments is new but the vehemence with which they are now being advanced by the Treasury has set alarm bells ringing in boardrooms of big companies such as GEC, NEI, Rolls Royce and Trafalgar House which have long relied on ECGD support to win large overseas projects. Though they are coy about going on the record with their concerns companies such as these have been busy lobbying their Whitehall contacts to ensure that the Treasury arguments are dismissed.

Leading capital goods exporters generally now reluctantly accept that ECGD's short-term insurance division needs to be set free to compete in Europe after 1992, but they are worried that this would leave the loss-making Project Division permanently exposed to precisely the kind of attack it is now facing.

Without ECGD help in supporting their contracts, they fear they would be unable to compete against companies from other countries where export credit support is readily available.

ECGD support in difficult markets is vital, they add, to ensure that a British presence is maintained against the day when the recession afflicting many developing countries finally ends. For the first 65 years of the Department's existence the Project Division made a profit, a record which was only broken by the exceptional circumstances of the developing country debt crisis.

But exporters worry that these arguments do not seem to impress the Treasury which argues that the current guarantee system encourages Britain to ship exports for which the buyer fails to pay. At the end of the day there is thus no real contribution to the balance of payments.

The net export flow to middle income and poor developing countries supported by ECGD is small at only £1bn so that the effect to the economy as a whole of withdrawing such support would be small. Similarly the £325m average annual cost of interest subsidies, which is born directly by the Treasury rather than the ECGD, is high compared with the volume of exports actually won.

Insiders who have followed the debate closely say they do not expect the Treasury argument to win through at the end of the day. Given the current very poor trade figures it would be politically difficult to convince the public of the economic rationale for doing away with the long- and medium-term export support, but they acknowledge that with his proposal to split ECGD in two Mr Kemp has opened up the UK's long-term export credit support to closer and more critical scrutiny than ever before.

The greatest fear in the exporting community is that Mr Ridley, who is expected to announce his decision on the Kemp Report recommendations in November may be swayed by the Treasury argument.

At present he is an unknown quantity in the Department of Trade and Industry which he took over in the summer's reshuffle, but he is noted for his free market views and his habit of setting his own convictions before public opinion. It is an outside chance at present but these qualities could just lead him to make of Britain the first leading industrial country unilaterally to abandon all forms of official medium-term export credit support.

CANADA has exhausted its funds allocated for concessionary financing for the current fiscal year and will make no fresh money available until next April to help exporters cement foreign contracts by offering preferential payment terms, writes David Owen in Toronto.

The decision is likely to place Canadian companies competing for business in developing countries at a considerable disadvantage for the rest of the year. A growing number of such nations have come to expect preferential terms in certain projects as a matter of course.

Companies' past successes in landing overseas contracts have already forced Ottawa to budget for sharply higher concessionary loan disbursements, despite efforts to trim the federal budget deficit.

The Government expects to provide C$125m (£67.2m) of such funding in the current fiscal year, against only C$75m in 1988-9. The rise has come at a time when bona fide foreign aid expenditures are being slashed relentlessly.

Canada and the US recently revived a campaign to encourage fellow members of the Organisation for Economic Co-operation and Development to reduce the extent of their concessionary financing.

Soviet gas 'could find UK market'

By Quentin Peel in Moscow

THE Soviet Union could become a natural gas supplier to Britain to finance increased British imports and repay the investments of joint ventures, Lord Trefgarne, the British Trade Minister, said in Moscow yesterday.

He said that Soviet gas could find a new market in the UK thanks to electricity privatisation, or it could be used as a straightforward barter commodity to be sold on third markets. However, such a plan would mean a big investment in an extension of the Soviet gas pipeline to West Germany.

Lord Trefgarne made his proposal at the latest meeting of the UK-Soviet joint economic commission, as part of a plea for new ways of financing Anglo-Soviet trade in the light of a chronic hard currency shortage in Moscow.

There is a huge disparity between Soviet and British statistics for bilateral trade, with the Soviet Union suggesting that the overall level increased 14 per cent, while the British figures showing an absolute decline, from £1.3bn in 1987 to £1.2bn in 1988.

The two sides are committed to seeking a 40 per cent increase in trade by the end of the decade but, although there has been a 10 per cent improvement so far this year, most of the increase is in Soviet oil sales and British grain exports, Lord Trefgarne said.

The squeeze on foreign exchange was affecting all aspects of the relationship, he said.

As far as British lines of credit were concerned, he said that more money was on offer than the Soviet Union was ready to accept.

"They take an admirably prudent Victorian view of borrowing," he said. "One can only admire them, although it may not be very good for British exports."

Austrian group in joint venture to build Burmese hotels

THE Burmese Government, in a move to promote the tourist industry, has agreed to establish three five-star hotels at the main tourist centres of Rangoon, Mandalay and Pagan under a joint venture with OIAG of Austria, writes Chit Tun in Rangoon.

According to official sources, the hotels will cost an estimated $110m, 65 per cent of which will be in foreign exchange and 35 per cent in Burmese currency. Construction of the hotels will begin next year, for completion in 1993, and they will provide 434 rooms in Rangoon, 176 in Mandalay and 150 in Pagan, which is in central Burma.

Under the joint venture, recently signed at Vienna, for 15 years after completion the hotels will be managed by the two partners – OIAG, the Austrian holding company for state groups, and Burma's government-owned Myanma hotel and tourism enterprise.

At the end of the 15-year period, ownership of the hotels will revert wholly to the Burmese partner.

At present Burma has only 16 hotels which cannot provide sufficient international-standard accommodation for the comparatively small number of tourists. The annual total of tourists averaged about 41,000 before the trade received a severe shock during the political upheaval and collapse of law and order in August and September last year.

The military government, which took over in September last year, has taken steps to revive tourism and expects that, with the return of normality and the new "open door" economic policy, tourists will increase.

Moscow and Ankara to expand trade links

By Jim Bodgener in Ankara

TRADE links between Turkey and the Soviet Union will expand rapidly, according to a protocol signed yesterday in Moscow. An increase in annual bilateral trade has been targeted to reach $4bn compared with about $1bn this year and two more border crossings will be re-opened into east Turkey.

The protocol was signed by Mr Ekrem Pakdemirli, the Turkish Finance and Customs Minister, and Mr Lev Voronin, Soviet First Deputy Prime Minister.

The two border gates are at Ahuryan and Nahcivan, bringing the open border crossings in the east to four.

The other two are at Dogukapi and Sarp – the latter was re-opened last summer in a blaze of publicity vaunting the current warming of Turkish-Soviet relations. But so far it has bolstered tourist and cultural exchanges, rather than trade.

The protocol also provides for a $350m credit from Turkey to the Soviet Union, in support of construction contracts to Turkish companies for Soviet light industrial plants.

Turkish imports of Soviet natural gas via a pipeline constructed from the Bulgarian border up to Ankara will total 6,000m cubic metres by the early 1990s. The feasibility of the second pipeline across the eastern border is being investigated.

Other areas of co-operation canvassed in the protocol include iron and steel production, railway construction in Turkish Thrace and a rail link between Iraq and Turkey.

OVERSEAS NEWS

Peking steps up attacks on Hong Kong

By John Elliott in Hong Kong

CHINA yesterday stepped up its recent series of attacks on Hong Kong and the UK when it rejected a decision to move a naval base out of the British colony's central district – a move which, it said, was unacceptable.

Mr Ke Zaishuo, a senior Chinese diplomat based in Hong Kong, said that the British government had "no right to make a unilateral decision" on moving the base, which forms part of the British forces headquarters garrison at HMS Tamar.

China regards Hong Kong's defence establishments as part of its sovereign inheritance which, it argues, should not be closed without its agreement between now and 1997.

Mr Ke is Peking's senior representative on the Sino-British Joint Liaison Group, which is preparing for Hong Kong's return to Chinese sovereignty in 1997.

His statement marks the fourth angry statement in an escalation of diplomatic rows that have developed in recent weeks, notably over treatment of illegal Chinese immigrants. China is also annoyed that Hong Kong is to prepare a Bill of Rights.

The UK and Hong Kong have decided to adopt a more public posture in their dealings with China instead of trying to influence events behind the scenes.

They know the publicity will annoy Peking but believe that it is worthwhile because it could help to boost Hong Kong's confidence which has slumped since the Tiananmen Square massacre in June.

Sir David Ford, Hong Kong's chief secretary, announced last week that the Royal Navy base is to be moved in 1992 to Stonecutters Island in Hong Kong's harbour.

This will release land for a comprehensive reclamation and development of the north Wanchai waterfront.

Hong Kong government officials argue that moving the naval base is not an important issue because no decisions have been taken about the main HMS Tamar defence headquarters.

London has urged Peking to reconsider the psychological impact of stationing PLA troops in Hong Kong after 1997, while Peking insists it has the sovereign right to do so.

Diplomats said China had assumed it would inherit intact HMS Tamar, situated in one of the world's most spectacular deep-water harbours.

"This latest outburst is characteristic of the attitude prevailing in Peking towards Hong Kong," one diplomat told Reuters news agency.

"China wants to be seen as the one who calls the tune over Hong Kong. They don't want the Brits to do anything without their approval. They seem impervious to the effect it is having here," he added.

"The line is that 'nothing moves unless we say so,'" another western diplomat said.

US forces to use Singapore more

US naval vessels and aircraft will make more use of Singapore from next year, the Singapore Foreign Ministry said yesterday, Reuter writes.

Singapore in August announced it had offered Washington use of military facilities to demonstrate to the Philippines that other countries were willing to share the political burden of hosting US bases.

Leases on Clark air base and Subic Bay naval complex in the Philippines, the largest US overseas bases, expire in 1991. Manila has not yet said whether they will be extended.

SIMULTANEOUS STATE ASSEMBLY ELECTIONS ANNOUNCED

Gandhi throws Indian opposition into more confusion

PRIME Minister Rajiv Gandhi yesterday threw the Indian opposition into further confusion by announcing that elections to key state assemblies would be held simultaneously with the general election in late November, reports David Housego from New Delhi.

The effect of the move is to add to the opposition's difficulties in agreeing amongst themselves on a single candidate to put up in individual constituencies against the Congress. Unless the opposition can fight one-to-one against the Congress, they stand little chance of victory.

The immense difficulties of the seat adjustment negotiations became further apparent yesterday when the BJP, the Hindu militant party, declined to moderate its stance over the Babri Masjid (mosque) controversy. The Communist party (Marxist) and sections of the Janata Dal, the party headed by Mr V.P.Singh, the leader of the opposition, have said they will not agree to seat adjustments with the BJP while the the BJP supports a march by Hindu fundamentalists next month expected to enflame communal tensions.

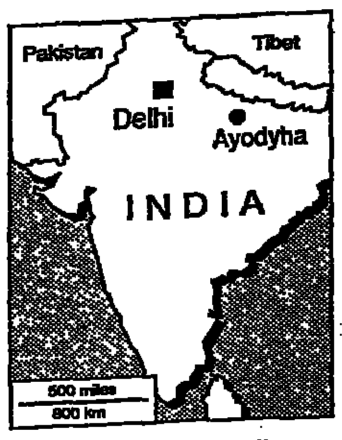
Mr L.K. Advani, president of the BJP said yesterday that he saw nothing wrong with the planned march to Ayodhya on November 9 to reinforce Hindu claims to take over a mosque built on a site sacred to Hindus. He denied that preparations for the march have contributed to recent communal rioting and bloodshed in northern India. Mr V.P. Singh yesterday appealed for the march to be cancelled in the interests of opposition unity and communal harmony.

Among the states which it was announced yesterday would be holding elections to provincial assemblies at the same time as the general election were Uttar Pradesh (the largest in the union), Rajasthan, and Karnataka. But it seems likely that all 15 states due to hold state elections by March next year will also go to the polls. These include the major states of the Hindi speaking belt like Bihar and Madhya Pradesh.

Mr Gandhi's intention is to avoid (in the event of a Congress win) a repetition of 1984 when his landslide victory at the general election was followed by defeat in state elections in March. Until 1971, the general convention was the general election and state elections were held simultaneously.

Mosque may become storm centre of election

A communal flare-up is likely to favour the Congress party, writes David Housego



AYODHYA is a pinpoint on the map in the plains of North India. But the small town, the site of the Babri mosque whose ownership is bitterly disputed between Hindus and Moslems, has already become the storm centre of this election campaign and the flash point for communal violence in the Hindi speaking heartland.

The day after Mr Rajiv Gandhi's unexpected announcement on Tuesday of elections in late November, Mr V.P. Singh, the opposition leader was already lobbying hard with Hindu militants to call off their planned march to Ayodhya on November 9. The march is to lay the foundation stone of a new Hindu Temple intended to replace the mosque built on the site which Hindus claim was the birthplace of Lord Ram, one of their most important gods.

If the march takes place it could provoke communal riots across North India preventing opposition agreement on putting up single candidates against the Congress. In particular the Moslems and the Marxist left have no wish to throw their support behind an opposition which is linked to the Hindu revivalist party BJP, committed to the march.

The approach to the Babri Masjid, built by a Moghul conqueror in the 16th century, passes rows of Hindu temples, garlanded with flowers, and is thronged with chanting pilgrims. No Moslem dares come near the focal point of the mosque which is crowded by Hindus who believe it to be Ram's birthplace and have transformed it into a Hindu shrine. Just outside the mosque is the model of the large new temple that Hindu militants plan to put up to eventually replace it.

Controversy over the shrine goes back to at least last century. Under Hindu pressure, a Moslem provincial governor let Hindus pray in the mosque but the British later sealed the gates to all religions to prevent communal rioting. After long court battles, the gates were unlocked three years ago to give Hindus access to the shrine in a controversial decision that apparently had government backing. Since then the Vishwa Hindu Parishad, the most militant Hindu organisation, has campaigned to return the mosque to Hindu ownership and build in its place the new temple.

The fervour behind this movement reflects the growing strength of Hindu revivalism in the north which the BJP, a major component of the opposition, hopes to take advantage of in the elections. The most recent stage in the campaign has been to bless in every village in India a brick that will be used in the construction of the temple, creating a mass movement associated with the revivalist cause, and sparking off riots in several towns. The death toll in communal violence this year - much of it due to the Babri masjid controversy - stands at over 300.

The next stage is the mass march to Ayodhya on November 9 for the laying of the foundation stone, an act Moslems see as threatening their position as a minority religion, and which Hindus could repeat at other contested shrines. The fear is that there could be widespread violence with the election campaign further heightening tensions.

Mr V.P. Singh needs a settlement on the issue if the opposition partners are to agree on putting up one candidate per constituency against Congress. He has urged Hindu militants to call off the march. But they would be deflating their own cause - and the BJP's strength - if they accede.

Mr Singh's own party, the Janata Dal, needs the support of the BJP if it is to do well in the north. But in the many constituencies where Moslems account for over 20 per cent of the vote, the Janata Dal cannot afford to be seen to be closely associated with a party flying the colours of Hindu revivalism. Many Communists see Mr Gandhi as a lesser evil than communalism. Though the Communists have few seats in the north, the opposition needs the left's support as well.

Privately BJP leaders argue they have pushed the communal issue to prevent Mr Gandhi upstaging them. There is much speciousness in this - though Mr Gandhi certainly played the Hindu card successfully when he swept to power in 1984 on the back of his mother's assassination.

While Prime Minister he has exploited communal tensions - most recently by attempting to win Moslem votes in Uttar Pradesh (the northern state in which Ayodyha is located) by getting the provincial government to adopt Urdu as its second provincial language. This provoked violent rioting in Badaun where for the first time since partition a train was stopped and 13 people butchered.

The BJP feared that Mr Gandhi might again gather up the Hindu vote by engineering a court decision that gave the Babri Masjid to Hindus before the election. As it is by using the issue to sew discord amongst the opposition, Mr Gandhi has more cleverly taken advantage of the passions simmering in the north.

Commonwealth plunges into bitter debate on S Africa

By Robert Mauthner and Roger Matthews in Kuala Lumpur

COMMONWEALTH leaders did not allow the pomp and circumstance of the formal opening of their week-long summit here to deter them from plunging straight into the problem of South African sanctions.

According to the official agenda of the conference, South Africa was not due to be discussed until today. But, with the sound of the Malaysian drummers who had greeted them still ringing in their ears, several leaders could not resist the temptation of raising the problem in their formal introductory speeches.

In one of the most virulent welcoming speeches ever heard at a Commonwealth summit, Dr Mahathir Mohamad, the Malaysian Prime Minister, and host to the conference waded both into South Africa and the industrialised countries, whom he accused of completely neglecting the interests of the developing world.

Both he and Mr Brian Mulroney emphatically contradicted Mrs Margaret Thatcher's view that sanctions were ineffective. Sanctions had worked and must not only continue, but must be escalated, Dr Mahathir said. "Investments and financial flows to South Africa must be completely stopped."

A Committee of eight Foreign Ministers set up at the Vancouver conference two years ago has been looking into the impact of sanctions. Before last night's reports that South Africa had rescheduled $8bn of its debt, it had been expected that a proposal to exert pressure on the banks to impose strict conditions for the rescheduling of the debt would be put to the conference.

As late as yesterday afternoon, the Rev Allan Boesak, the South African church leader, had reiterated in Kuala Lumpur that South Africa should be given a breathing space of only a few months before such pressure was exerted, to allow President De Klerk to put his promised reforms into practice.

The news that $8bn of South Africa's foreign debt had been rescheduled, which came after midnight local time, is expected to throw the advocates of sanctions into disarray when the conference reconvenes later today.

Mrs Margaret Thatcher, for her part, repeated her well-known opposition to sanctions in a speech on the international situation.

The British Prime Minister said there were encouraging signs of movement in South Africa. President De Klerk had shown a willingness to listen to all shades of opinion and to release virtually all the long-term political prisoners.

This was a major step forward and should be recognised as such. Consideration of further sanctions in these circumstances would be "utterly irresponsible." Much more was likely to be achieved in the fight against apartheid if the Commonwealth gave encouragement to the authorities to continue on their present path.

Anyaoku: quiet man yet to reveal his hand

By Robert Mauthner in Kuala Lumpur

CHIEF Emeka Anyaoku, who was yesterday elected Secretary-General of the Commonwealth, in succession to Sir Shridath (Sonny) Ramphal, is not exactly a household name, though he was briefly Nigeria's Foreign Minister in 1983.

The phrase most frequently used to describe this archetypal 56-year-old civil servant is "urbane and charming," after which even some of his associates in the Commonwealth Secretariat find it difficult to go much further.

Why then was the discreet and reticent Mr Anyaoku able to defeat the charismatic, loquacious and immensely experienced Mr Malcolm Fraser, the former Australian Prime Minister? Not, it should be said, because he campaigned more effectively. Mr Fraser was championed by the Australian Government and did not hesitate to give press conferences extolling his own qualities during trips abroad. Mr Anyaoku's position as Deputy Secretary-General of the Commonwealth obliged him to stay silent.

It was clear, however, that his backers, Nigeria and many of the other African and Asian Commonwealth members, did a great deal of lobbying on his behalf and that he was certainly the favoured candidate of the permanent Secretariat.


Glyn Genin

Chief Anyaoku after his election yesterday

A curious aspect of the election was that it was held by secret ballot because none of the member countries wanted openly to back either one of the candidates for political reasons.

The British Government set the tone by announcing that it did not mind who was elected and would bow to the wishes of the majority, an unusual stance for Mrs Margaret Thatcher, the Prime Minister, who is used to being out on a limb in the Commonwealth. To make things easier for all and sundry, the hope that the new incumbent would be chosen by consensus was abandoned and a secret ballot was held.

The prospect that the ebullient and energetic Sonny Ramphal, a politician to his fingertips, will be succeeded by a much more traditional public servant, does not, at first sight seem to meet the needs of a Commonwealth urgently in need of renewal.

But Chief Anyaoku yesterday tried to still these fears by stressing that his role as a "loyal second" to Sonny Ramphal should not be taken as a guide to his behaviour in the top job.

One thing is certain, Chief Anyaoku is every bit as committed to the fight against apartheid in South Africa as his predecessor and he chaired the working party which drafted the Accord on Africa at the 1985 Nassau summit.

The quiet man at Marlborough House, who is liked by everyone but has, not so far, shown his teeth, may yet surprise the sceptics. That, at least, he announced yesterday, is his firm intention.

Mahathir displays his political skills

By Roger Matthews in Kuala Lumpur

THE TOP prize for political skills on the opening day of the Commonwealth conference went without question to the host, Mr Mahathir Mohamad, the Prime Minister of Malaysia.

In a display of pugnacious political punching allied to faultless footwork he not only scored points domestically and internationally but ended up winning the gratitude of fellow heads of government for showing that a contested vote can produce a unanimous result.

If all this was a bit of a surprise for the Commonwealth it was less so for the people of Malaysia who have had rather longer to appreciate their premier's talents and know better how to interpret his speeches.

For those more used to the blandness of conference utterances the vigour of the language employed by Mr Mahathir was arresting. There was early denunciation of "state terrorism" as practised by Israel. The racist regime in South Africa was not fooling anyone with its recent cosmetic changes.

As for the world economy, its main feature was, according to Mr Mahathir, the way in which the rich countries had ganged up against the poor.

They manipulated currencies, they directed world trade, and were now using environmental and human rights issues as weapons to check the growth of the developing nations. The rich countries had a lot more to answer for.

Far from frightening off the delegates, Mr Mahathir's approach appears to have won him their unquestioning trust.

With two candidates running for the post of secretary-general and an unwanted ballot inevitable, Mr Mahathir suggested that he alone should count the voting slips and whoever acquired more votes would be declared the unanimous choice of the conference.

The procedure was adopted, the successful candidate declared, and Mr Mahathir swears that he will never divulge the actual voting figures "not even to my wife". Malaysian cynics were not slow to point out that this was perhaps a trial run for the system Mr Mahathir would like to adopt for when he next faces his own electorate.

Last ditch attempt to save talks on Lebanon

By Lara Marlowe and Andrew Gowers

THE Arab League and Western powers were yesterday engaged in a final attempt to save a three-week meeting on the future of Lebanon from collapse.

With talks between Lebanese deputies in the Saudi resort of Taif apparently at an impasse, Mr Chadli Klibi, the Arab League Secretary-General, was due in Paris last night for two days of consultations with President François Mitterrand, Mr Roland Dumas, the French Foreign Minister, and Mr François Scheer, the Secretary-General of the French Foreign Ministry.

Although the visit had been long planned, Mr Klibi will almost certainly want to focus his French interlocutors' attention on the deadlock in the Lebanese peace process.

Sixty-two Lebanese Moslem and Christian MPs have been debating a document drawn up by the Arab League's committee on Lebanon since September 30. Last week, they came close to agreeing on the peace plan. But since then, the talks have stalled over the question of the withdrawal of 40,000 Syrian troops, with hardline Christian leaders in Beirut insisting that a timetable for a Syrian pullout be set.

French diplomats have asked Syria and General Michel Aoun, the Lebanese Christian leader, to make public commitments to support the Arab League peace process. But in both cases, the response fell short of French expectations.

In London yesterday, Mr William Waldegrave, the junior Foreign Office minister, disclosed that Britain had in recent days been in touch with Gen Aoun as well as Mr Walid Jumblatt, the pro-Syrian Druze militia leader, and Mr Selim al-Hoss, Lebanon's Moslem Prime Minister, to urge them to "put the interests of a united Lebanon above any sectarian interests".

Shamir takes public swipe at Washington

By Hugh Carnegy in Jerusalem

MR Yitzhak Shamir, the Israeli Prime Minister, has darkened already gloomy prospects for peace efforts in the Middle East by taking a public swipe at the US role in the process and reiterating his refusal to compromise on his unwillingness to talk to the Palestine Liberation Organisation.

His statements follow a rejection by the PLO leadership at a meeting in Baghdad this week of efforts by Mr James Baker, the US Secretary of State, to get the two sides to agree to an Egyptian initiative to convene Israeli-Palestinian talks to discuss elections in the occupied West Bank and Gaza Strip, as proposed in Israel's own peace plan.

In the event the Baker-Egyptian compromise suited no-one. The PLO objects to not being given a direct role.

But Mr Shamir regards the US-Egyptian formula of a Palestinian team drawn mainly from the territories with PLO approval as a transparent front for the PLO.

Mr Shamir said the US was trying to get Israel to meet the PLO. He warned of a confrontation between Israel and the US unless Washington backed down "as they did on previous occasions"

Iraq 'to release young Gulf War prisoners first'

By William Dullforce in Geneva

IRAQ HAS agreed to give priority to repatriation of young Iranian prisoners of war it still holds 14 months after the ceasefire in the Gulf war, according to Terre des Hommes, a Swiss charity.

Mr Michel Hoffman, director of programmes for the Lausanne-based children's foundation, yesterday deplored the failure of the International Committee of the Red Cross (ICRC) and the United Nations to seize the opening offered by the Iraqis.

Terre des Hommes released copies of a letter, dated September 6, to Mr Javier Perez de Cuellar, the UN Secretary-General from Mr Sabah Talat Kadrat, chargé d'affaires at the Iraqi mission to the UN. The letter reaffirmed Iraq's readiness to exchange prisoners with Iran "in isolation from the political negotiations" and on the understanding that priority would go, first, to "child prisoners" and, second, to sick, wounded and disabled.

Mr Hoffman claimed that recognition of Iraq's priority represented a breakthrough in the impasse over release of more than 100,000 prisoners of war held by both sides.

S Africa's fighters face a change of tactics

Patti Waldmeir reports on new-found freedom for leaders of ANC

There is probably no clearer sign that political change is taking place in South Africa than the sense of confusion which reigns on every side.

Over the past week – since the day that Mr F W de Klerk, the South African President, announced he was releasing top members of the African National Congress (ANC) from jail – both sides of the country's conflict have been re-evaluating long-held positions and reviewing cherished policies.

Evidence of change has been confused and contradictory. But it seems clear that, after many years of engaging each other by violent means, Pretoria and the ANC are finally beginning to engage each other politically as well.

The release of seven ANC leaders from jail at the weekend has altered the political situation in South Africa fundamentally and irreversibly.

"What we are seeing is the beginning of real black politics in this country," says Mr Steven Friedman, a researcher at the South African Institute of Race Relations. "People who were martyrs for 26 years have now become politicians. The consequences of such a situation are much less predictable."

The ANC, banned for nearly 30 years, has been effectively freed from restriction by the decision to release its senior internal leadership from jail unconditionally.

On Sunday night, the organisation issued a press release to Johannesburg-based correspondents printed on an ANC letterhead – surely the first time such notepaper has been used publicly in South Africa for well over a quarter of a century. The home-knitting industry is busy turning out jumpers and caps in the black, green and gold of the ANC, while seamstresses have fashioned flags and banners to adorn the houses of released leaders.

Those leaders deny any plans to set up an internal ANC to function alongside the exiled movement, which has its headquarters in Zambia. But their freedom to operate within the country means that in reality, an internal ANC exists already.

However, the development of an active political movement within the country brings with it the risk of divisions, which are already becoming apparent. "When the hard political decisions were still 10 years away, unity was very easy," says Mr Friedman. "It is not easy any more."

Early evidence of strains came on Tuesday night, when two major opposition figures publicly contradicted one another over the anti-apartheid movement's attitude to economic sanctions against South Africa.

Speaking on the fringes of the Commonwealth conference in Malaysia, the Rev Allan Boesak, the prominent anti-apartheid cleric, said he favoured a six-month probation period during which no further sanctions would be imposed.

But Mr Walter Sisulu, the most senior of the released ANC leaders, rejected this suggestion and called for more sanctions. He dismissed Rev Boesak – who rose to considerable national prominence while political leaders remained in jail – with the words "one must remember he is a churchman and they look at things differently."

Differing views are also emerging from other constituencies within the anti-apartheid movement. Over the past few months, there have been consistent rumblings of unhappiness over the political role which Mr Nelson Mandela, the jailed ANC leader, is playing from his Paarl prison.

He is said to have drawn up a document on negotiations with Pretoria which differs from the document prepared by the exiled ANC leadership in Lusaka, and endorsed by internal groups, the Organisation of African Unity and the non-aligned movement.

Activists fear Mr Mandela may be willing to concede some form of protection for white rights in a future South Africa – a position which the released ANC leaders rejected earlier this week, and which is anathema to radical activists.

But if there are the most tentative of signs from Mr Mandela that he may show flexibility on this issue, Pretoria too may be preparing to be less rigid.

In an interview published yesterday in South Africa, Mr Gerrit Viljoen, the minister charged with starting constitutional negotiations with blacks, suggested that minority guarantees might be "less important" after 20 years or so of a new constitution. Perhaps the opponents in the South African crisis really are stumbling towards a common ground.

Lee advises West how to bargain with China

By Roger Matthews

MR Lee Kuan Yew, almost certainly attending his last Commonwealth conference as Prime Minister of Singapore, came primarily to talk about Cambodia but, at least in public, ended up advising Britain and Hong Kong on how to deal with China.

First and foremost, said Mr Lee at a press conference, it was futile to confront China because there was no chance of winning. The only chance was to bargain with China and in order to bargain one had to have alternatives. The most valuable alternative potentially available to some citizens of Hong Kong was somewhere else to live after 1997.

According to Mr Lee's characteristically blunt interpretation of a nation's assets there were perhaps 200,000 people in Hong Kong who made the colony economically prosperous. Without them, he declared, it would sink into poverty and become worthless to China.

If these 200,000 people and their families had an alternative offer already in the bank should they decide that the Chinese Government's behaviour was unacceptable, then it might make Peking think twice, said Mr Lee. It would not be threatening or confronting China, merely allowing them to see the possible consequences of certain actions.

To this end Singapore has already announced that it is willing to guarantee a home for 25,000 Hong Kong families which can be taken up at any time over the next 10 years. Mr Lee thought that an international conference at which other countries made similar such pledges could prove a useful tactic in persuading China to adhere to the letter of its agreement with Britain.

On Cambodia, Mr Lee accused the Western media of misreading the situation by suggesting that the only choice was between the Vietnamese puppet regime of Hun Sen and the Khmer Rouge.

SAN FRANCISCO BAY EARTHQUAKE

THE casual reader of the Financial Times of 1906 might easily have missed the disastrous earthquake and fire which all but destroyed large areas of San Francisco. It was mentioned on the front page in the context of the New York and London markets, but the stories of the terrible destruction and death were tucked away on inside pages.

****

EARTHQUAKE IN SAN FRANCISCO

BUSINESS QUARTER OF THE TOWN WRECKED AND BURNED

THOUSANDS OF LIVES LOST

NEW YORK 18th April — A serious earthquake occurred at San Francisco this morning. It was felt most severely in the South Market Street district, in the business quarter. The shocks were almost continuous for almost an hour. Many buildings were wrecked and the debris afterwards caught fire.

The oscillations burst the water mains, but the outrush did not check the spread of fire.

The first shock occurred at 5.13, about daybreak, and was quickly followed by others. The havoc was practically confined to the business districts, the postal telegraph offices and the offices of the Southern Pacific Railway were destroyed.

Later messages from San Francisco show that the centre of the disturbance was the upper end of Market-Street, the principal thoroughfare of the city, which runs from the sea front northwards for several miles. The City Hall, which fronts upon Market-Street and cost $7,000,000 to build, is in ruins, as is the Emergency Hospital, which is near the upper end of the street.

No cars are running, and the electric street lights are cut off.

****

SAN FRANCISCO FIRE

CITY DOOMED TO DESTRUCTION — ESTIMATED DAMAGE £20m

POSITION OF INSURANCE OFFICES

NEW YORK 19 April — A despatch from Oakland at noon today says: — "The fire engines are returning. Their task is hopeless as there is no water. The entire city is doomed. The flames have spread to Nob Hill, one of the residential sections of the city."

At midnight the flames at San Francisco were blazing fiercely and there was no sign that the conflagration was likely to burn itself out.

General Funston, in command of the troops in the district, in a message to the Secretary of War in Washington, asks for thousands of tents to accommodate the homeless sufferers.

The damage to property will amount to quite twenty millions sterling.

The Government will send ten million dollars for the relief of the distress. Thousands of people will have to be fed for a long time by the authorities.

Today's messages show that the havoc extended all over the country within a hundred miles' radius of the city. At San José the number of victims is placed at 50. Santa Rosa is ablaze, and it is reported that 200 of the inhabitants of Niles have perished. The towns of Monterey (2,000 inhabitants), Gilroy (2,000) and Hollister (1,500) have been wrecked and the number of victims at Santa Cruz is reported to be large.

Networks bring an American tragedy live to the world

By Peter Riddell, US Editor, in Washington

IT WAS a peculiarly contemporary tragedy — witnessed and shared by *tens of millions* of Americans live on television as the horrors emerged in a confused pattern during Tuesday evening.

For many Americans there was no delay. They knew something was wrong immediately. The earthquake struck at 5.04pm California time, 8.04pm on the East Coast, as ABC had just started its preliminary coverage of Game Three of the World Series (the baseball championship) from Candlestick Park just south of central San Francisco on the western side of the bay.

The Bay area has, for the past 10 days, been at the centre of national attention and its residents on an emotional high because, for the first time, its two baseball teams — the San Francisco Giants and the Oakland Athletics — have been meeting in the World Series. The crowd of 62,000 was packed into the Giants' home to see whether they could avenge their two defeats over the weekend.

After a few opening words, a clearly alarmed commentator Al Michaels just had time to say "I'll tell you what, we're having an earth..." before ABC was knocked off the air by a power cut.

Candlestick Park was shaken for 15 seconds as the decks of seats and powerful lights swayed by up to a foot. Players on the field and fans were stunned, but there was no panic and no one was seriously hurt. Afterwards, there was an anti-climactic mood and some fans were seen taking home lumps of concrete which had broken away from part of the structure.

That was the initial impression of the earthquake for most Americans as ABC quickly returned on the air, to be followed by the other networks, which offered continuous coverage during the evening.

The extent of the damage and casualties was at first uncertain as communications broke down. But since it was still light, it was possible to show the collapse of a 50-foot section of the upper level of the Bay Bridge, linking San Francisco and Oakland, onto the lower level. Later a video taken by someone driving over the bridge showed a car ahead falling into the newly-created gap.

ABC used its airship, the Goodyear blimp, to provide vivid pictures of what was occurring in the San Francisco area — notably the enormous gas-main fire near the waterfront south of the Golden Gate Bridge. This looked like a wartime film of night bombing, and dominated the screen, partly because the rest of San Francisco was blacked out by a power cut.

The network anchors — the superstar newscasters — quickly returned to their New York studios to lead the coverage, thus fulfilling their role as national spokesmen in time of disaster, much more so than President George Bush, who, initially, could only briefly express his concern. The anchors, like Dan Rather and Tom Brokaw, scrupulously tried to avoid alarming people, even if their message was being contradicted by the pictures on the screen.

Such was the initial confusion that only two hours after the quake did it become clear that the worst casualties — at first estimated at 40, and yesterday put at over 250 — resulted from the collapse of a half-mile long section of the upper level of Interstate 880 in Oakland. This crushed people in cars on the lower level, which was packed at the height of the evening rush hour.

As one eyewitness reported, "You could hear it crunching down — but you couldn't see anything. It was just a big white cloud. You could hear people screaming for help."

This disaster apart, the picture gradually emerged of widespread damage — broken windows, buildings collapsing, holes in roads, gas leaking, power lines out, airports and bridges closed — but, surprisingly, not as many casualties as initially feared.

There were a few reports of looting in the crack-infested inner-city areas of San Francisco, but, more typically, the initial response of stunned residents was followed by a rallying round to help. The emergency services — long prepared for such a catastrophe — appeared to respond calmly and efficiently.

For outsiders, the mixture of horror and curiosity at what was being seen led to a deluge of calls to find out about family and friends. Up to a million calls swamped phone lines in a five-minute period, and communications remained difficult yesterday.

By dawn yesterday in the Bay area, it was apparent that, for all the efforts of federal and state disaster services, the damage would take many weeks and months to repair.

The infrastructure of one of the world's big cities had been, and would remain, severely disrupted for some time. Moreover, the fulfilment of the 83-year-old fears of a repetition of the devastating San Francisco earthquake of April 1906 might permanently affect both residents' and visitors' attitudes about the Bay area.

After all, Tuesday night's earthquake was not the big one that geologists have been predicting at some time along the San Andreas fault in California. The fond hope and illusion of many Bay residents that this may never happen has now been punctured.

The remains of three-storey buildings are propped up in the street in San Francisco's Marina District after sliding off their foundations and collapsing. Gas-fed fires are raging in the distance of the blocked streets.

Seismology an infant science

By Della Bradshaw

AS the full scale of the devastation from the Californian earthquake emerges, the inevitable question is why seismologists could not predict the timing and scale of the quake.

No specific warning was given before the earthquake, which struck at 17.04 on Tuesday, 20 miles south west of San José. In spite of the growing awareness on America's west coast that a big quake was on its way, the seismological forecasts were appallingly general. The most specific predicted a 30 per cent chance of an earthquake in the area measuring 6.5 on the Richter scale within the next 30 years.

One of the main problems with trying to predict earthquakes is that fault lines are *capricious and so are the tremors they produce.*

The San Andreas fault, along which Tuesday's earthquake ran, scars California from north to south for more than 200 miles. The fault line marks where the two massive plates, the Pacific plate and the North American plate, scrape past each other as they move in conflicting directions.

That causes friction, which eventually puts the rocks under so much pressure that a *section snaps off, causing the earthquake.*

Even though earthquake prediction received a fillip, and a consequent high public profile, when Chinese scientists accurately predicted the big quake in their country in 1975, earthquake prediction as a science is still in its infancy. The rise in serious seismological work of this kind only began about 20 years ago.

Scientists defend the uncertainty of their predictions by saying that not enough data have been collected from which they can detect patterns of activity.

So far no single approved method of measuring changes in *the earth's crust* has emerged. Indeed, seismologists are not even agreed on the best indicators to measure.

Some, such as the British Geological Survey, are concentrating on work to analyse the amount of water held in rock. As an earthquake approaches, the rocks along the fault line dilate, and take in moisture.

Others measure the different types of seismic waves produced by the fault.

In the end many scientists *believe one of the best ways of* predicting seismic activity is the age-old one of observing the behaviour of animals. Snakes and other creatures which generally live in burrows or underground tunnels reportedly appear in large numbers above ground, and dogs and birds become active and noisy.

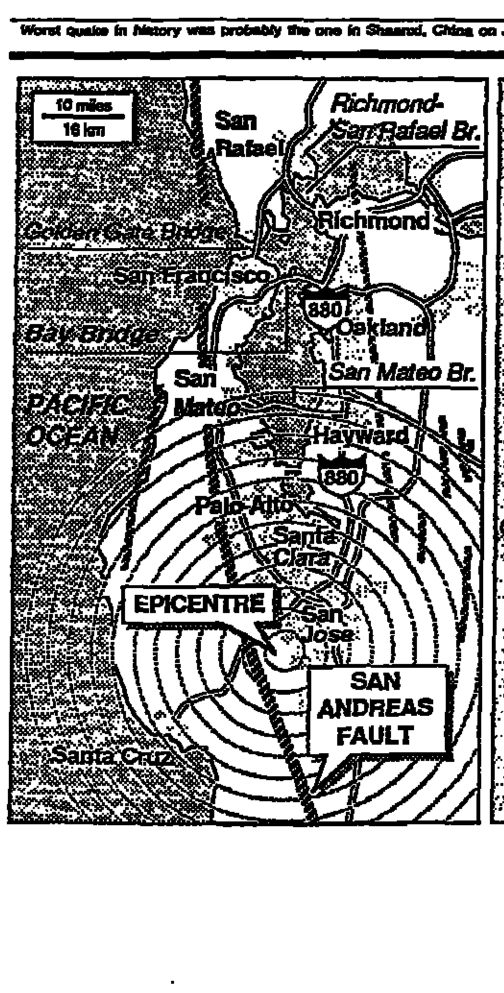
Perhaps the most chilling news for the inhabitants of California is that scientists agree this week's quake is not the "big one". In fact seismologists have dismissed the quake in geological terms — if not human ones — as being relatively commonplace. About 15 tremors of the same magnitude occur every year around the world. Few cause the devastation of the ones in San Francisco or Armenia because they happen in sparsely populated areas or under the sea.

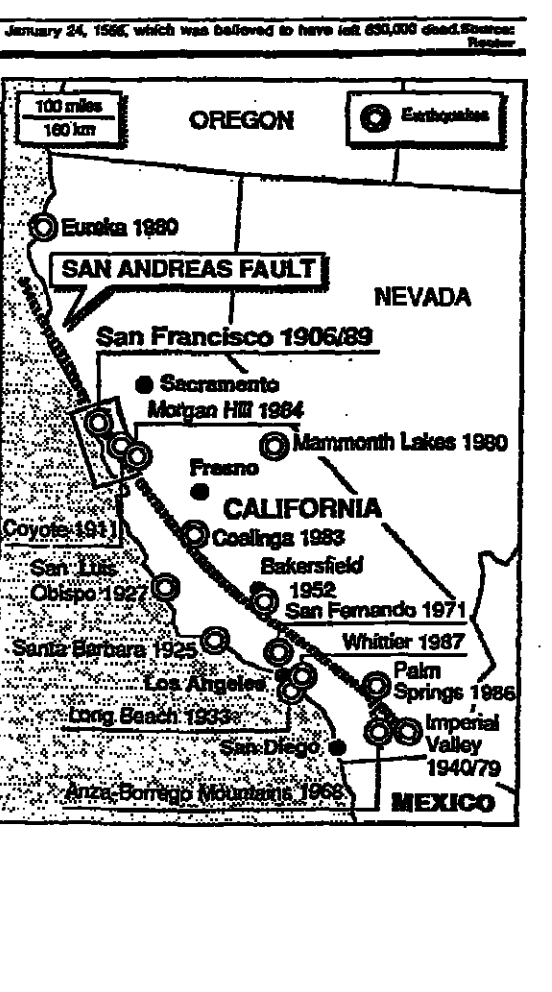
By comparison the San Francisco earthquake at the turn of the century measured over eight on the Richter scale. That means it released more *than 30 times the energy of* this week's earthquake.

MAJOR EARTHQUAKES

Date	Richter	Location	Effect
Apr 18, 1906	8.6	San Francisco, Ca	Fire and earthquake kill more than 500; damage $350m
Mar 10, 1933		Long Beach, Ca	Quake killed 117.
Feb 9, 1971	6.5	Los Angeles, Ca	Sixty-four people; property damage reached $1bn.
Jul 28, 1976	7.8	Tangshan, China.	In just 23 seconds, 90 per cent of city destroyed. At least 250,000 killed; estimates up to 800,000. Chinese never issued official figures.
Mar 4, 1977	7.5	Bucharest, Romania	Most of city centre was razed. Death toll reached 1,541
Sept 16, 1978	7.7	Tabas, Iran	City in eastern Iran destroyed; estimated 25,000 killed.
Nov 23, 1980	7.2	Southern Italy	Earthquake rocks southern Italy, killing 2,735.
Dec 13, 1982	6	North Yemen	About 2,800 killed.
Oct 13, 1983	7.1	Eastern Turkey	Quake in provinces of Erzurum and Kars kills 1,300.
Sept 19-20, 1985	8.1/7.3	Mexico City	Twin earthquakes devastate city and kills over 8,000.
Oct 4, 1985	5.6	Tokyo, Japan	The most powerful in more than 60 years.
Oct 1, 1987	5.9	Los Angeles, Ca	Quake near Los Angeles, caused millions in damages.
Nov 23-24	6.0/6.3	Westmoreland, Ca	Damage runs into millions in tiny desert community.
Dec 7, 1988		Armenia, USSR	At least 25,000 killed, damaging Leninakan and Spitak.

Worst quake in history was probably the one in Shaanxi, China on January 24, 1556, which was believed to have left 830,000 dead. Source: Reuter





Engineers puzzled by road failure

By Clive Cookson, Technology Editor

THE unexpected collapse of bridges and an elevated highway is causing most concern to engineers studying the aftermath of the San Francisco earthquake. Most buildings withstood the tremors without structural damage.

"There has been a catastrophic failure in the double-decker bridge mechanism. It has not withstood the earthquake it was expected to," said Dr Alistair Soane, chairman of engineering consultants Bingham Cotterell.

Engineers who specialise in earthquake protection said yesterday there were several possible reasons for the collapse of the upper deck of the Nimitz Highway, part of the San Francisco Bay Bridge and at least two bridges in the Santa Cruz area.

"It may be simple structural failure due to inadequate design; the supporting columns may just not have been strong enough to withstand the horizontal movement of the earthquake," said Dr David Key of Bristol University's civil engineering department.

Another possible cause of collapse is that there may have been catastrophic failure in the joints or bearings which allow road bridges to expand and contract as the temperature changes.

Following the 1971 San Fernando earthquake in southern California, in which bridges also suffered badly, the state instituted a programme to strengthen the load-bearing columns and replace the bearings of older and more vulnerable bridges and elevated freeways.

But another British earthquake expert, Dr Scott Steedman of Cambridge University, said it would be a mistake to put too much emphasis on the structure of the bridge itself: "I believe that these horrific failures are not structural failures but ground failures."

Although the role of soil mechanics in earthquake failures is still little understood compared to the mechanics of the bridge structure, Dr Steedman believes that remedial action *should* also include strengthening the foundations of the bridge piers and, where appropriate, draining the land around the piers.

In contrast to the bridges, there were no reports of modern high-rise buildings collapsing. They swayed alarmingly with the tremors, as they are *designed to.*

Mr Edmund Booth, an earthquake expert with Ove Arup, the engineering consultancy, said the buildings that failed on Tuesday were "the older unreinforced masonry structures that always do worst in earthquakes."

Silicon Valley may bear the brunt of damage to industry

By Our Foreign and Financial Staff

THE San Francisco Chronicle, one of the city's dailies, did not let itself be put out of business by anything so paltry as an earthquake. Using a few Apple Mackintoshes, a laser printer and a photocopier, the journalists had an edition out on the streets as normal yesterday morning, albeit on a limited print run.

The Chronicle's ingenuity and efforts were reproduced all over the stricken Bay Area yesterday. Emergency plans swung into action, and much of the city was slowly getting back to work. But the losses to some of the businesses of Silicon Valley, in particular the smaller semiconductor producers, may be catastrophic, and long-term damage to infrastructure will take months to repair.

Transport

Perhaps the most crucial link in the area's transport network, the Bay Bridge, is badly damaged and is closed. The bridge runs across the Bay from Oakland to San Francisco itself and is a major artery into the city. Transport authorities said they hoped to have the bridge back in at least temporary service within a week.

Most of the highway system held up well, except for the Bay Bridge and the doomed stretch of Highway I-880 which collapsed.

The Bay Area Rapid Transit system subway is running normally. It has its own power source, and so can run independently of San Francisco utilities.

All three airports in the Bay Area are running. San Francisco International was closed overnight but opened at 6am local time yesterday morning. The only damage at San Francisco was to the air traffic control building, which is missing a ceiling and windows. Air traffic controls systems are working, but the service has been reduced. At Oakland, one runway had around 3,000 feet of damage but service is now normal. San José will be running 24 hours a day because of demand.

Telecoms

Telecommunications networks in California appeared to have withstood the earthquake with only minor damage, although the extremely heavy number of attempted calls into and out of the San Francisco Bay area yesterday was causing delays to services.

Telephone companies urged customers not to place calls to the area except in an emergency for at least 24 hours. Pacific Bell, the local telephone operator, said its network had suffered only minor damage. It had been helped by measures instituted to minimise damage to the system instituted since an earthquake in 1971.

AT&T, the largest US telecommunications group, and MCI Communications, the second-largest long distance carrier, said there had been no damage to their networks, but call volume was being limited because of the very large number of calls being attempted.

High technology

Nearly all of the high technology manufacturing industries of Silicon Valley, the heart of the US semiconductor and computer industries, have closed down.

So far there are no reports of major damage in that area. Semiconductor industry executives, gathered in Monterey this week for an industry conference, said that it might be about two weeks before their California plants could resume operations, even assuming that damage is minimal. Analysts suggested that the financial impact of the disruption of business in the region could be as much as $3bn to $4bn.

International Business Machines and Hewlett-Packard both said their facilities suffered minor damage, but neither reported serious problems.

But small Silicon Valley semiconductor manufacturers could be the worst hit by the disaster. Their processes involve sensitive technology and clean environments, all of which are likely to be damaged. Software companies are not likely to be vulnerable, except *insofar as their hardware* is damaged.

Shares of SunGard Data Systems and Comdisco soared — the companies provide disaster recovery services to companies which are dependent on computers.

Financial services

There are two major problems for the financial community: lack of power and people. Pacific Gas & Electric, the local utility, has switched off power in the areas hit by the earthquake because of the danger of gas leaks. The downtown financial district was completely without power yesterday morning. The Mayor of San Francisco has asked most people to stay at home, so there were few people working except in areas where there was normal power.

The Federal Reserve Bank of New York said that the Federal Reserve Bank of San Francisco was open for business yesterday and that the Fedwire, the Federal Reserve's funds and securities transfer service, was operating across the US. The San Francisco Fed is operating on emergency power and only minimal damage is reported to its headquarters building.

The Pacific Stock Exchange is based in both Los Angeles and San Francisco. Los Angeles trades mostly stocks while most of the options trading is done in San Francisco.

Energy

Oil prices were initially marked up by as much as 30 cents a barrel in the Far East amid fears that refineries and pipelines in the Bay area may have been damaged, requiring fresh supplies of petroleum products from elsewhere.

However, throughout the day it became gradually clear that refineries had sustained minimal damage, prompting a retreat in prices. By midday in New York crude oil futures prices at the New York Mercantile Exchange were almost unchanged from the previous day's close.

The California State Fire Marshall ordered all crude oil, refined product, and natural gas pipelines in the area to be closed as a precautionary measure. Although no leaks had been detected in the pipelines, there were fears that they could be ruptured in an after-shock. Area pipelines are operated by Sante Fe Southern *Pacific*, Chevron, *Royal Dutch/* Shell and Unocal.

About 12,000 gallons of petrol spilled from a storage tank owned by Unocal. However, this was contained and sprayed with chemical foam to prevent fire. *Major* refineries in the area, owned by Exxon, Coastal, Tosco, Chevron, and Royal Dutch/Shell, were reported operating normally.

The Nuclear Regulatory Commission in Walnut Creek, 25 miles east of Oakland, said there were no reports of damage at the state's six nuclear reactors.

Insurers sanguine about costs

By Patrick Cockburn in London and Jamie Buchan in New York

THE international insurance industry was yesterday generally sanguine about the extent of losses caused by the San Francisco earthquake.

Meanwhile on Wall Street, insurance and reinsurance stocks soared in value as investors bet that the earthquake losses will force the companies to abandon their current price war and raise premium rates.

In the *Lloyd's insurance* market estimates of the cost of the earthquake escalated rapidly from $1bn at 10 in the morning to $10bn by lunchtime before subsiding later but insurance specialists stressed *that it was vital to distinguish* between physical damage and insured loss.

Insurance companies officials who talked with the California Insurance Department early yesterday morning said that they believed the main damage was to public infrastructure, such as bridges and roads. Officials said there might be excess-of-loss policies on the bridges and roads but most of the cost would be borne by the taxpayer.

Industry executives said only about a quarter of the *householders in the Bay Area* carried "shake" insurance on their homeowners' policies. Mr Greg Rossiter of Allstate, the number two homeowners' insurer in California, said 29 per cent of his company's policies in the Bay Area, or about 60,500 homeowners, had shake cover.

But executives warned that it could be weeks before the damage is assessed. They said there could be *big pay-outs* on commercial building policies, which will be partly shared with the reinsurance market, on business interruption policies and life policies.

A spokesman *for* Munich Re, the world's largest reinsurance company, pointed out yesterday that while it was too early to talk about the ultimate cost of the *disaster* "one thing we can say: We have known this would happen." As a result insurance and reinsurance companies have traditionally taken great care to limit their liability in the event of a *California earthquake*. Swiss Re said it expected its final liability to be less than SFR100m.

Farmers, the big California domestic insurer which is an offshoot of BAT, said yesterday it was too early to assess losses. It said, however, that although it had 14 per cent of property and automobile insurance in California *only 14* per cent of policies had earthquake cover.

In Europe direct insurers have limited business in California and little of this is insurance against the results of earthquakes. Royal Insurance, the British composite most heavily involved, said yesterday that it expected its total loss, including reinsurance, to total some £35m. This compares to the £123m cost to Royal of the hurricane which hit Britain in 1987.

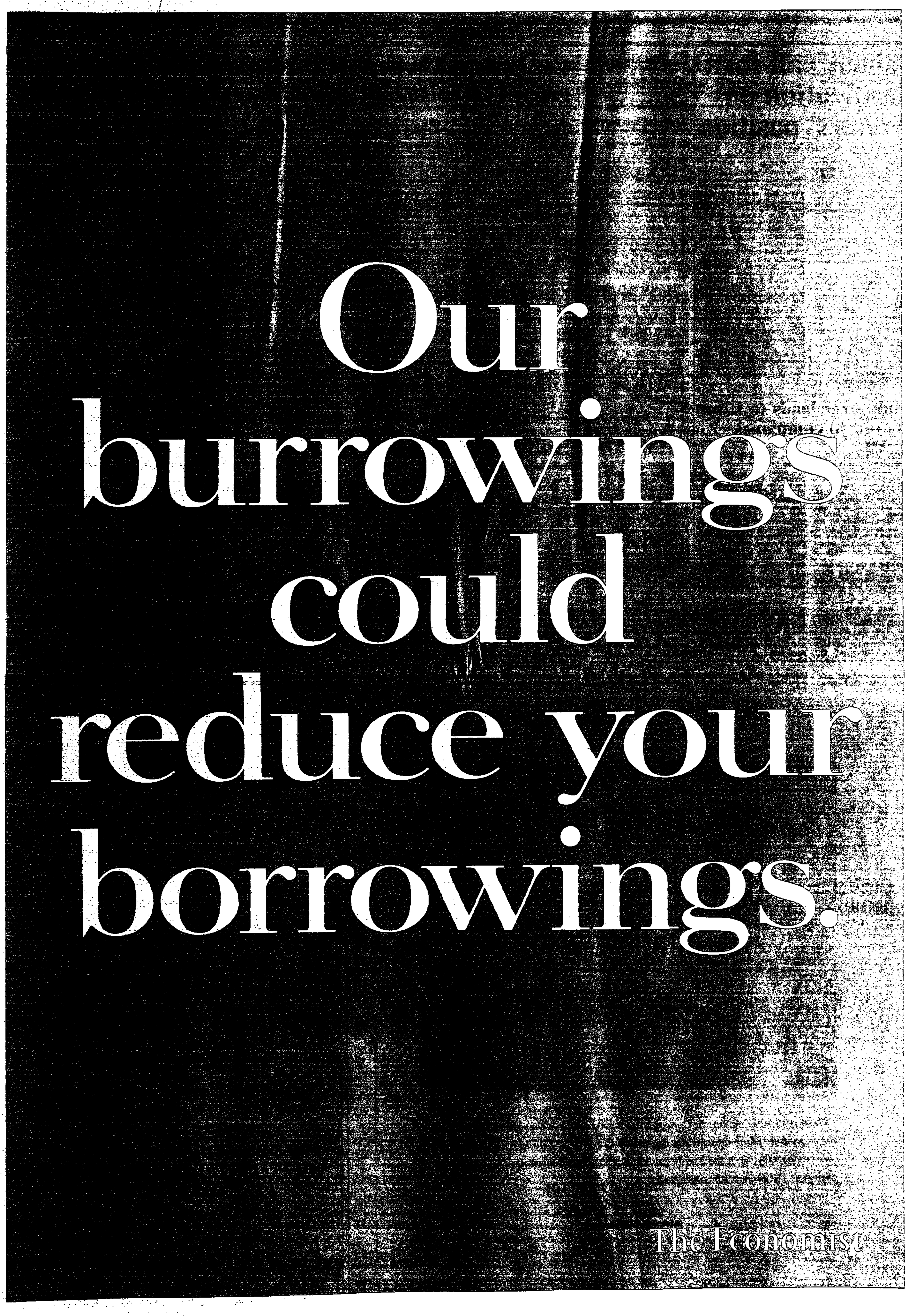
Comparing the disaster to the 1906 *earthquake*, insurance experts say losses may be limited by the fact that there were no widespread fires as was the case at the beginning of the century.

On the other hand, in contrast to 1906, insurers are likely to face claims for incidental losses such as interruption of business. These will take time to emerge but are likely to be extensive, particularly if electricity supply is disrupted or commercial and industrial buildings need to be shored up. Damage to automobiles could also produce a rash of claims.

Apart from finding out the extent of the damage caused by the earthquake all branches of the insurance industry are speculating about the chances of the earthquake ending the prolonged depression in insurance rates.

A spokesman *for Alexander & Alexander*, one of the main US insurance brokers, said yesterday that the earthquake, taken together with losses from Hurricane Hugo of $4-5bn, could well provide the trigger to end the soft market in insurance.

Wall Street believes the earthquake and *Hugo* losses together will exhaust the insurers' loss reserves and force them to raise premium rates and seek cover in the reinsurance market. "This is going to have a salutary effect on the reinsurance business and could also improve pricing in the primary market," said Mr Herbert Goodfriend, an analyst at Prudential-Bache on Wall Street.


Our burrowings could reduce your borrowings.
The Economist

UK NEWS

Labour call for clarification on Walters' position

By Philip Stephens, Political Editor

THE opposition Labour Party yesterday called on Mrs Margaret Thatcher, the Prime Minister, to dissociate herself from her chief economic adviser Sir Alan Walters over his stated position on the European Monetary System.

Sir Alan was reported in this week's Financial Times as referring to the EMS as "half-baked" and adding that arguments for the exchange rate system have "never attained even a minimum level of plausibility".

His remarks were seized upon yesterday by senior Labour spokesmen who claimed they were evidence that the Government's policy towards taking sterling into the system remains in disarray.

The Government is expected agree to a full-scale House of Commons debate on the economy next week – probably on Tuesday – but Mr Lawson is likely to be pressed on Sir Alan's comments when he answers Treasury questions in the Commons later today.

Whitehall officials insisted that the Government's position on the EMS had not changed and that it would join when the conditions laid down at the Madrid European Summit were met. The Prime Minister's office said that no efforts had been made yesterday to seek clarification of his position from Sir Alan.

Mr Nigel Lawson, however, was said to be irritated by Sir Alan's intervention as it will be used by Labour to exploit the differences on exchange rate policy which emerged last year between the Chancellor and Mrs Thatcher.

Mr John Smith, Labour's chief economic spokesman, said that "the open hostility of Sir Alan to full British membership of the EMS was in direct contradiction to the views of the Chancellor. The credibility of the Government's exchange rate policy was being "fatally undermined", he added.

Bank error leads to £2bn pay-out to companies

By Alan Cane

A MINOR ERROR by a bank official has resulted in one of the UK clearing banks accidentally paying out some £2bn to UK and US companies.

The mistake was exaggerated by the efficiency of the banks' automated inter-bank clearing system, CHAPS, which is responsible for the daily movement of billions of pounds between the UK's 14 clearing banks. The entire £2bn was paid out within 30 minutes.

According to the trade newspaper Computer Weekly which reports the incident today, the bank concerned has asked all the recipients to return the funds but all the money has not yet been recovered.

The Association of Payments Clearing Services (Apacs) which oversees payments clearing in the UK confirmed yesterday that funds had been transferred in error but refused to name the bank concerned.

It seems that an official, in preparing a CHAPS payment instruction, failed to enter the date. A fault in the computer software allowed the instruction through and duplicated it. The funds were therefore transferred twice. The fault is understood to lie in the bank's own software and not the CHAPS system.

The Institute of Electrical Engineering and the British Computer Society warn of the need for better quality controls on software to be used where lives could be at stake in a new report.

Commissioned by the government, the report emphasises the difficulty of ensuring that software used for the control of nuclear power stations or air traffic is safe and will not carry out unexpected operations.

Government proposes reform of arts finance

By Antony Thorncroft

THE most far reaching changes in the administration and financing of the arts in the UK for over 40 years were proposed yesterday in a Government discussion paper "Supporting the Arts".

Among the main recommendations are a merger of the Crafts Council with the Arts Council; a reduction in the number of Regional Arts Associations from the current 12 to seven; and a cut in staff levels at the Arts Council, and among the RAA's, from 500 now to 400, by 1993.

The Government suggests that the proposals will save £2m a year, which should be devoted to the arts. The Minister is to seek the comments of all involved until the end of the year but will probably introduce legislation incorporating most of the reforms in 1990.

The remaining RAAs would have extra powers. The report suggests that their chairmen should join the board of the Arts Council and that they should be responsible for the distribution of more money to their local arts groups, at the expense of direct funding from the Arts Council in London. At the moment the Council gives £30m of its annual grant of £155m to the RAAs for distribution.

An intermediary group of arts client would be created, making three levels in all - a few large national and regional arts companies, like the Royal Opera House Covent Garden, and Opera North, funded directly by the Arts Council; a new group of medium sized companies for whom the RAAs would recommend the size of grant to be distributed by the Arts Council; and the mass of small companies and individual artists who would receive grants directly from their local RAA.

Mr Richard Wilding, a former civil servant in the Office of Arts and Libraries and author of the paper envisages a bigger role for business supporters of the arts in the RAAs. There is likely to be widespread opposition to the proposals.

Competing TV news groups to be sought

By Raymond Snoddy

THE Government has decided to proceed with legislative provision for a second national commercial television network in competition with Independent Television News, subject only to the protection of high standards.

The broadcasting bill to be published by early December will say that the Independent Television Commission, the body which is to replace the Independent Broadcasting Authority, "will be required" to licence a second or even third provider of national and international news for the independent television system.

The ITC will, though, have the discretion to appoint a single news company if it believed competition would prejudice the provision of quality news.

A competing commercial news network could undermine the economics of ITN, a wholly owned subsidiary of the ITV companies, and strengthen the position of the BBC as a news broadcaster.

Unlike the ITV franchises, television news companies will not be appointed by competitive tender. They will be given a 10 year contract after an assessment by the ITC.

Sir David Nicholas, chairman of ITN, said last night he was pleased with Government plans. The rules on quality gave ITN he believed "an anomalously privileged position against the general market philosophy (of the bill)."

Mr George Russell, chairman of the IBA and a former chairman of ITN is believed to oppose having competing national commercial television news services.

The bill will make clear the Government wants:

- The simultaneous transmission of high quality national and international news to all the new Channel 3 (as ITV will be called in future) licence holders in peak viewing hours (though not necessarily by the same news organisation). Channel 3 companies will not be able to have a controlling interest in the news companies and external investors will be able to own up to 20 per cent
- Only Channel 3 news organisations will be licenced by the ITC, but news providers to Channel 4 and the new Channel 5 will also be expected to provide high quality national and international news.

The Government has rejected pleas from British Satellite Broadcasting, the satellite television group, for rules aimed at limiting the cross media ownership of Mr Rupert Murdoch, chief executive of News Corporation, which owns five national newspapers in the UK and Sky Television's four satellite channels.

Coal supply hitch threatens to upset power sell-off timetable

By Maurice Samuelson

THE GOVERNMENT's precarious timetable for privatising the electricity industry appeared under renewed strain last night because of a sudden hitch on future coal supplies for power stations.

After two promising negotiating rounds with British Coal about replacing the present informal arrangements with commercial contracts, a statement by an electricity official on how British Coal should structure its price led to a public row.

Mr Ed Wallis, chief executive of PowerGen, which will inherit 30 per cent of the power stations in England and Wales, said in London that he wanted British Coal to quote pit by pit prices based on individual production costs and quality.

He claimed that this also reflected the view of National Power, its sister generating company, which will also inherit the modern nuclear stations of the Central Electricity Generating Board.

With fuel representing 60 per cent of the cost of electricity, Mr Wallis said, that was the only way in which power stations could operate in the new competitive electricity market due to come in force next year.

Individual pit coal prices would replace the present arrangements, under which British Coal quotes a single price for its product, with a cheaper marginal tonnage related to world prices.

Mr Malcolm Edwards, British Coal's commercial director, who is heading its coal negotiating team, said there was no question of adopting the course proposed by Mr Wallis.

He said British Coal would continue to quote a single price, with cheaper marginal tonnages reflecting power stations' physical ability to switch to imports and oil.

Mr Wallis said that if his company did not get its coal costs down it would be undercut by competitors burning oil, gas or cheaper imported coal.

Average British Coal prices of £2 per gigajoule (a metric measurement of heat) compared with £1.30 per gigajoule for coal currently available to Thameside power stations and with the £1.60 price for oil delivered at power stations.

With British Coal also containing more sulphur than many foreign coals, PowerGen also had a further incentive to switch to alternative supplies in order to meet environmental pressures on acid rain emissions.

Of the 27m tonnes of British coal burned annually in PowerGen's power stations, all but 5m tonnes could be replaced with alternative fuel if British Coal did not offer an acceptable price, said Mr Wallis.

Despite his tough remarks, Mr Wallis insisted he was "not rattling sabres." He later said that in the first year of electricity privatisation, British Coal was likely to retain 70m tonnes of the 75m tonnes a year which it currently supplies to the CEGB.

Over the following two years, however, that could drop to 60m tonnes a year.

If that happened, British Coal would have to find new outlets, such as major industrial customers, for its lost tonnage, or close about 15 more collieries with the loss of another 15,000 redundancies.

THE Hinkley Point C nuclear power station can be built within the original estimate of £1.55bn despite a £52m increase in civil construction costs, according to the latest figures released by the Central Electricity Generating Board, writes David Green.

It says the increase can be offset by a £29m reduction in the project's contingency allowance and because of a £23m reduction in the anticipated costs of initial fuel.

The board's financial review of the Hinkley Point project follows a £180m rise in the cost of the Sizewell B plant which is under construction.

Solicitors' turnover up 19%

By Robert Rice, Legal Correspondent

THE TURNOVER of solicitors in private practice increased by 19 per cent to £3.09bn last year according to figures published yesterday by the Law Society.

The rise in gross fee income varied from area to area across the country. Gross fees of solicitors in London for 1987-88 rose by 23 per cent to £1.46bn. This compares with rises of 15 per cent in the north to £867m and 17 per cent in the south to £770m.

The average gross fee income of partners in London solicitors' firms rose by 17 per cent to £167,000. Average gross fee income of partners across the whole country rose by 15 per cent to £112,000.

Average gross fee income per solicitor in London rose by 15 per cent to £94,000 and by 14 per cent to £73,000 across the country as a whole.

The relatively lower rate of increase in gross fees per partner and solicitor compared with the rate of increase for the profession nationally is in line with expectations given the rapidly increasing size of the profession, according to the society's Annual Statistical Report 1989.

Solicitors are significantly concentrated in London, with 36.7 per cent working there. This compares with the fact that only 13.5 per cent of the population of England and Wales lives in London. Only London solicitors exceed the national average level of gross fees per solicitor of £73,000.

The number of solicitors on the Roll continues to rise. There were nearly 70,000 solicitors on the Roll at the end of July 1989, a rise of 5.3 per cent on last year.

More than 30 per cent of women solicitors continue to drop out of the profession during the first 10 years of practice. Of those who qualified 10 years ago, 68.5 per cent of women and 86.2 per cent of men are still practising.

But of the newly qualified solicitors, 46.6 per cent were women. Women also represented 51.9 per cent of those passing the solicitors Final Examination in 1988 and 52.7 per cent of new articled clerks. The profession will soon have approximately equal numbers of women and men solicitors in practice, the society says.

Annual Statistical Report 1989, Law Society, 113 Chancery Lane, London WC2

Forklift truck sales from Lancer increase by 21%

By Nick Garnett

LANCER BOSS, the UK's largest independent forklift truck maker, increased sales to £128.6m in the year to March, a rise of 21 per cent on the previous year's figure of £106.2m.

This was broadly in line with company estimates made this time last year. Pre-tax profits on ordinary activities at £4.81m, up from £4.07m, represented a similar percentage rise but was slightly lower than the company had been expecting.

Sir Neville Bowman-Shaw, chairman of the Lancer Boss group which is now the world's 12th largest forklift producer, said the company was very confident.

It had a new range of products and was likely to prove more resilient in a recession than many of its competitors. The overall market for lift trucks remained strong.

However, Sir Neville said that in the long term, a company of Lancer's size could not survive satisfactorily in the market without a significant partner.

This could involve merging the business with another company though Sir Neville stressed that he would want Lancer to take the management lead in such a grouping.

Sir Neville said a shorter term goal was the acquisition of another lift truck maker. The company is believed to have identified two companies it is interested in, at least one of them believed to be Italian.

UK NEWS

Solid strike vote expected

By John Gapper and Michael Smith

A SOLID VOTE in favour of indefinite strikes by manual workers at seven big manufacturing plants was predicted yesterday as engineering unions starting balloting the 24,000 employees there in their campaign for a reduction in the working week.

However, employers believe white-collar staff may vote against strikes. There are also doubts about the degree of support for the 35-hour week campaign at Smiths Industries in Cheltenham and NEI Parsons in Newcastle upon Tyne.

Shop stewards at Smiths Industries this week voted in favour of an offer of a phased reduction in the working week to 37½ hours, but national officials of the Confederation of Shipbuilding and Engineering Unions would not back it.

Engineering unions are confident of support at Rolls-Royce plants at Hillington, Glasgow and Parkside, Coventry. They believe there will be solid backing among manual workers at British Aerospace plants in Chester, Preston and Kingston.

The CSEU has said it will settle at individual plants if companies agree to a reduction in the working week to 35 hours. However, a reduction to 37 hours would be enough to shorten the hours of both manual and white-collar workers.

Mr Bill Jordan, Amalgamated Engineering Union president, said the Engineering Employers Federation had attached unacceptable conditions to its April offer of a 37½ hour week for all engineering employees.

Balloting at the plants will continue today and tomorrow, and the first results are expected on Friday. The EEF said the engineering industry could not concede working hours cuts without compensating productivity improvements.

The ghost of the past appears at the gates of Rolls-Royce

Outside a Victorian built factory in the Midlands city of Coventry yesterday, several hundred Rolls-Royce employees were peering through the fog at a group of union leaders who were exhorting them, through a faulty public address system, to stage an indefinite strike. It was like a scene for a 1950s black and white movie on trade unions, writes Michael Smith.

Surveying the scene from windows above the speakers' platform were a handful of the plant's managers. "Look at the rogues' gallery," said one of the speakers.

The managers, interviewed later, made no apologies for their presence. Their aim, they said, was not to intimidate, as the unions claimed, but to find out what was being said so they could counter "misinformation."

Their anxiety was understandable. Yesterday was the start of the climax to the engineering union's drive for a 35 hour week for Britain's 2m engineering workers.

After the meeting, the 2,000 Coventry workforce were due to start voting on whether they will be one of up to seven UK factories to strike indefinitely over the issue.

As at the six other sites, voting will continue today and tomorrow and the results will be announced on Monday afternoon. Some, but not all, groups of workers are likely to answer the union's call.

The Coventry plant was chosen by the unions because of its strategic importance to Rolls-Royce. It supplies gas turbines and engine components to other plants in the aeronautical engineering group.

With the Rolls-Royce order book standing at £5.5bn, the company is doing all it can to prevent a strike. During the last week workers have received letters from both the group board and Mr John Boutell, plant manager. They have been told that "this is the most serious situation the company and the site have ever faced."

Mr Jim Keir, group director, was more forthright. "If this facility goes on strike, we would have to consider its future very carefully," he said. There were alternative sources of supply, he said, and the £3m a year investment in facilities would rise because of its transfer shortly to nearby Astby.

Similar messages were being conveyed to workers by managers, some of whom arrived specially early at the plant yesterday morning. "We were available to anyone who wanted to talk to us," said Mr Boutell. "We wanted to balance the propaganda from the unions."

The unions have been spreading their gospel over several months through mass meetings, shopfloor talks and leaflets. At the three mass meetings yesterday, speakers including Mr Bill Jordan, of the AEU engineering union, reiterated their belief that the workers had earned hours cuts through their productivity concessions.

Mr Tom Hartopp, shopfloor convener, said one issue was "whether you support the union or not." A "No" vote could lead to unacceptable conditions being imposed on the workers.

That struck a chord with many listeners. Mr Ian Tobin, a 26-year-old manual worker, believed the unions' hand would be weakened in negotiations on other issues if a majority voted against striking. "If we do not go out when strike pay is £150 a week, we are even less likely to do so when it is £15," he said.

There was, however, a strong body of opinion against striking. Mr David Pullen, 40, a blade shop colleague of Mr Tobin, said he had never before voted against the advice of union leaders. This time he intended to. "My mind has been in a turmoil but this campaign does not gel with me."

Mr Pullen was concerned that the plant would not get the full backing of other manufacturing workers if it went on strike. A reduced working week would not make a significant difference to his life, he said.

A straw poll of about 100 Rolls-Royce employees outside the factory gates before the day shift began – and before the mass meetings – showed a narrow majority in favour of striking, with support strongest among manual workers.

ICI plans £1bn power plant in north-east

By Maurice Samuelson

ICI, Britain's biggest chemical company, has teamed up with the electricity industry and a leading US utility to plan a chain of gas-fired power stations in the UK after the privatisation of the power industry.

The group's first project, on which a feasibility study is being conducted, is expected to be a £1bn power station at ICI's big Wilton site in north-east England.

It would be the biggest independent gas-fired plant proposed since the Government unveiled plans to sell off the power industry two years ago.

Half the cost would lie in building a pipeline to feed the plant with natural gas from a North Sea field.

The other members of the group are National Power, one of the two generating companies to be created out of the present Central Electricity Generating Board, and the Enron Corporation, which operates the largest natural gas pipeline network in the US.

Enron, which is also one of the biggest US independent electricity producers, would design, build and operate the Wilton plant.

The 1,500 MegaWatt plant would provide heat and power for ICI's own needs at Wilton and sell surplus power to the electricity market. Its customers could be other ICI premises elsewhere in Britain.

The previous biggest independent power project, the 1,000MW gas-fired station proposed at Barking by the Thames Power consortium, has run into difficulties because of the local authorities want to building houses on its preferred site.

One of the main advantages of the Wilton plant is its coastal location. Its gas would be brought directly ashore and its owners would not have to negotiate terms for moving gas through British Gas's onshore transmission system, a problem faced by many of the other private gas power stations proposed in the past year and a half.

The group is negotiating with several offshore gas producers about a long-term supply of fuel.

Anglo-Argentine talks extended amid signs of diplomatic progress

By Robert Graham in Madrid

SENIOR Argentine and British diplomats yesterday decided to extend their talks on normalising relations into a third day, amid signs that substantial progress was being made.

It is now considered likely the two sides will be able to agree on a joint communiqué today, announcing a resumption of consular relations.

This would be the first step towards the re-establishment of full diplomatic relations, broken as a result of the Falklands conflict in 1982.

The British side was also hoping agreement could be reached on the resumption of direct air links between London and Buenos Aires, and the lifting of restrictions on British companies operating in Argentina.

This, in turn, would enable Britain to remove its objections to Argentina signing a co-operation agreement with the European Community.

Yesterday's talks were held at the Argentine Ambassador's residence, just opposite the British Embassy in central Madrid.

The first day's meeting took place at the home of a British diplomat. The Argentine negotiating team is being led by Mr Lucio Garcia del Solar, a roving ambassador for President Carlos Menem. The British side is being headed by Sir Crispin Tickell, Ambassador at the United Nations.

These two held an hour-long informal meeting yesterday morning before the formal talks resumed, in what was again described as a positive atmosphere. This suggests that the careful advance planning for this meeting, the first direct negotiations between the two countries on normalising relations since an abortive attempt in 1984, was paying off.

MOTORFAIR

Fall in car sales 'no herald of collapse'

By John Griffiths

THE DROP of more than 10 per cent in new car sales in September did not herald a market collapse, despite the recent rise in interest rates, the UK's main car makers insisted last night on the eve of Motorfair, the London car show.

Senior executives of Ford, Rover, Vauxhall and Peugeot maintained that the downturn – sales have continued to run 10 per cent below last year's levels during the opening days of October – had been expected, and that the UK was still heading for another year of record sales.

All four appeared to dismiss the prospect of any serious renewal of the heavy discounting and financial incentives to dealers to "move the metal."

Fears are also being expressed that the short-term car rental industry, which buys some 200,000 cars a year – about 10 per cent of the market total – may cut back their orders sharply in the rest of this year as a protest against manufacturers' sales strategies, which are allegedly undermining their fleets' resale values, on which most of the rental industry's profitability is built.

Mr Paul Tosch, chairman of General Motors subsidiary Vauxhall, said that although the market "will definitely tail off," it had held up for longer than expected. He said that he expected nearly 2.3m cars to be sold this year, followed by a 4 per cent market drop in 1990. "Something pretty drastic" would have to happen in terms of a market collapse for a renewal of the mid-1980s "car wars."

Mr Kevin Morley, sales director of Rover Group, also forecast total sales for the year of 2.29m units, some 80,000 units more than in 1988.

According to Mr Derek Barron, chairman of UK market leader Ford, "although we are beginning to see the early warning indicators of a downturn in the market, we expect that 2.275m cars will be purchaed in Britain this year, with sales of light and medium commercial vehicles accounting for a further 298,000 vehicles."

● Sir John Egan, chairman and chief executive of Jaguar, the UK luxury car maker, said he hoped to present a plan to Jaguar shareholders within a month outlining the company's plans for co-operation with General Motors of the US. Jaguar is under hostile attack from Ford, GM's domestic rival, which said this week it had built a stake of 10.4 per cent in the UK car maker.

Ford chief warning on UK research

By John Griffiths

BRITAIN will become "little more than a screwdriver operation within the European motor industry" unless car and part makers can foster more engineering expertise and maintain a big presence in research and development, Mr Derek Barron, chairman and chief executive of Ford UK, warned yesterday.

In a speech in London, clearly designed to emphasise Ford's investment and research and development commitments in the UK, against the background of its fight with General Motors for Jaguar Cars, Mr Barron claimed Ford was "the only volume producer in Britain which maintains full line integrated research, development and design facilities."

However, he warned that Britain had "lost a great many of its technical skills and the ability to design and engineer vehicles is now weaker than ever."

Ford employs 3,300 designers, engineers, scientists and technicians at its Dunton Research Centre in Essex, with an annual R & D budget of over £200m.

The company also maintains a major development facility at Cologne in West Germany, which is regarded as wholly complementary to the UK operations.

In Brief

Progress on use of unleaded petrol

USE of unleaded petrol is spreading so quickly that it is likely to become the majority motor fuel much faster than expected only a short time ago, according to Mrs Virginia Bottomley, junior Environment Minister.

Since July last year, sales of unleaded had jumped from less than 1 per cent to more than 25 per cent of total UK petrol sales. The next step was the requirement for all new cars to be fitted with catalytic converters by 1992.

Kings Cross plans

PLANS for one of London's biggest redevelopment schemes, covering 134 acres north of King's Cross station, have been substantially revised to include two office towers, the largest 600ft high.

New takeover chief

THE new director-general of the Takeover Panel, the UK's bid watchdog, is to be Mr Geoffrey Barnett, 46, a director of Baring Brothers, the merchant bank.

Sunday's sales fall

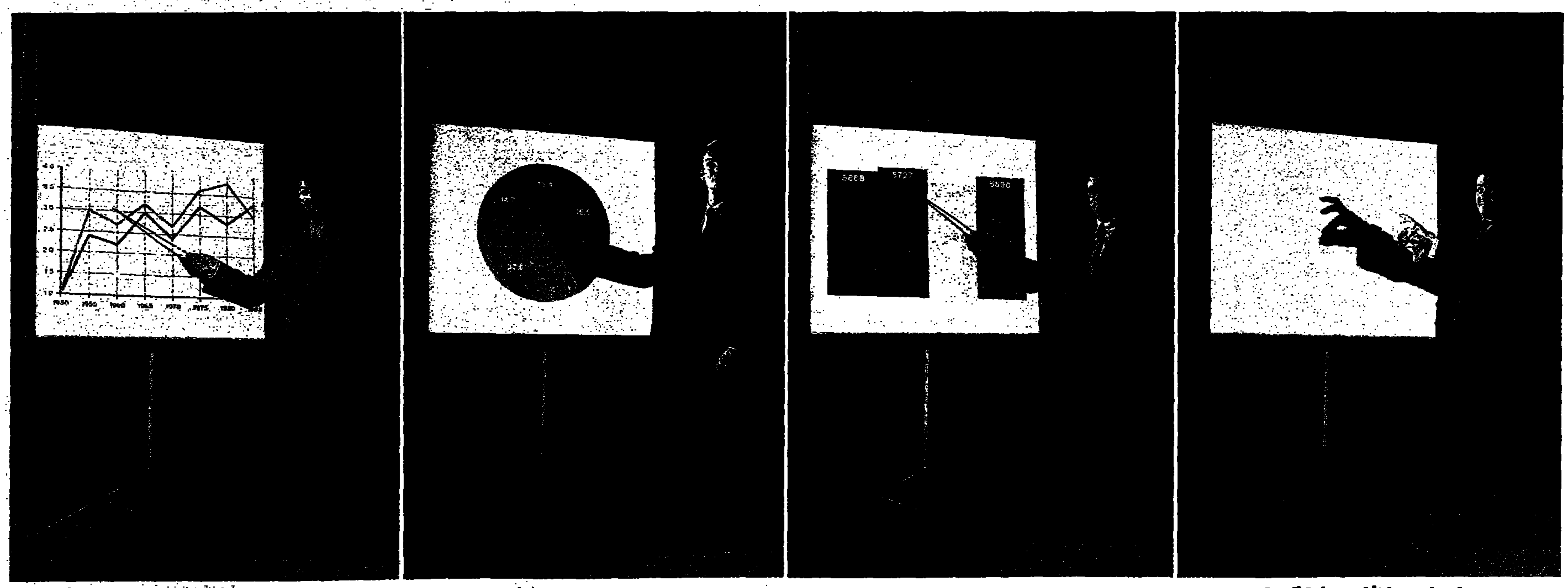
SALES of The Sunday Correspondent, the new quality newspaper, fell to an estimated 365,000 for its fifth issue but the rate of decline is slowing markedly.

Compensation proposal

THE British Insurance and Investment Brokers Association, one of the representative bodies for independent financial advisers, has supported the proposal by the Securities and Investments Board that life companies and building societies should contribute to the investors compensation scheme.

Navy union walkout

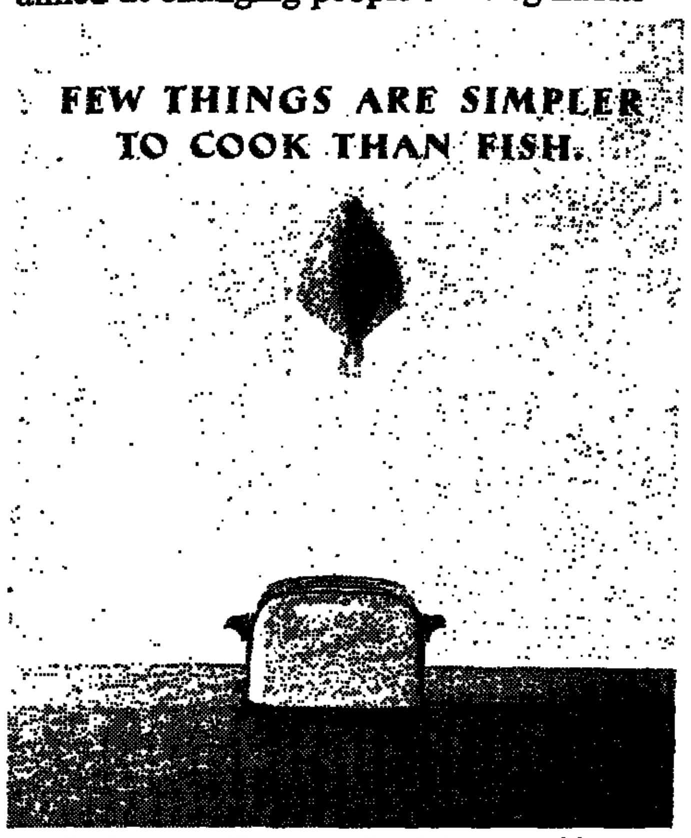
NUMAST, the merchant navy officers' union representing 20,000 ships' officers, walked out of pay talks in London after the employers, the British Shipping Federation, proposed a 6 per cent pay offer.



MANAGEMENT: Marketing and Advertising

They have the plaice if you have the time

Philip Rawstorne reports on a campaign aimed at changing people's eating habits



The problem with fish, says Bob Kennedy, marketing director of Britain's Sea Fish Industry Authority (SFIA), is that it is not user-friendly. It is wet and cold. It has bones, and it smells. Many women, though aware of its nutritional value, consider it difficult to prepare and cook. They think about it – and then often plump instead for something more convenient.

That is why the amount of fish – both fresh and frozen – eaten at home has been declining over the past two years. Consumption fell last year by 4 per cent, despite a levelling-off in prices. The average household only spent around £28, buying some 8.2 kilograms of fish, mainly cod, haddock and plaice.

This decline was balanced to a large extent by a continued increase in the amount of fish eaten outside the home. Demand from fish friers, hotels, restaurants, pubs and clubs rose by nearly 3 per cent to 52 per cent of the £1.7bn market.

But the SFIA this week is launching a £2.5m advertising campaign in an effort to increase home consumption over the next 18 months. The advertisements, devised by BMP DDB Needham, the agency which took over the account in the summer, are being carefully targeted on women with young children in the C1 and C2 social categories.

Some 18 per cent of families never eat fish at home, says Kennedy. But rather than try to change their eating habits, he believes there is a better chance of increasing consumption by persuading those families which do eat fish to eat it more often.

Among the AB households, at the top end of the social spectrum, familiarity with restaurant offerings of *sole bonne femme* or *filet de loup de mer poêlé aux aromates*, has apparently already helped to ensure more fish dishes being regularly served at home. These families tend to be health conscious, open to new ideas, and frequently entertain friends to meals.

Fish is also a regular part of the diet of households at the other end of the social scale. They include a high proportion of elderly people, used to buying fish in the traditional way, and with time to prepare and cook it.

The nub of Kennedy's marketing problem lies in the mass market between these two, among the busy young women with children who "just do not regard fish as a meal" except in the shape of an occasional fish finger.

Penny Reid, BMP account director, says:"Our research showed that many housewives had little idea of how to turn a piece of fish into a meal. When they go to the butchers, they are not offered a piece of cow. They get their meat in a form which suggests the meal – minced beef, steak, chops, or a roast."

The first of the series of advertisements tackles this problem by proclaiming "Few things are simpler to cook than fish" above a picture of a plaice flying out of a toaster – a flippant treatment of the product that was only hesitatingly accepted until it got an enthusiastic response in consumer testing.

A second advertisement addresses another problem disclosed in researching consumer attitudes – a widespread belief that fish does not make a substantial meal. Picturing a polar bear, this declares: "Fish can satisfy the largest appetites" in a type embellished by fish tails and hooks.

Each of the advertisements includes suggestions for easily-cooked fish dishes, ideas rather than recipes; and repeats the campaign theme: "There are plenty more dishes in the sea."

The advertisements – in women's magazines such as Essentials and Bella, Woman's Own and Me, and on supermarket trolleys – will be supported by a country-wide poster campaign and by point-of-sale promotions, including free recipes.

The results of the campaign, the first generic advertising by the SFIA for more than a year, will be closely monitored. Kennedy hopes they will provide the evidence to justify a bigger marketing effort by the entire industry. "We want to demonstrate to the industry that money spent on advertising actually works," he says.

When the SFIA was established in 1981, it was briefed to pay particular attention to marketing but the authority's funds from a levy on the industry soon proved inadequate. The Government made an extra £12m available from 1984-88. Kennedy believes that the resulting advertising campaigns, including television commercials, were crucial in maintaining the size of the market as the retail price of fish rose rapidly, increasing at five times the rate of food generally in 1986.

That subvention has now ended, and the authority is again feeling the pinch, despite a doubling of the industry levy to £7 a tonne. Its marketing budget is now £2m a year which has to cover public relations and promotions, home economics and schools programmes, and research as well as advertising.

Yet the industry still has a lot to learn, says Kennedy. Compared with the dairy industry which has been advertising continuously since the 1950s, its marketing is still in its infancy.

"We have to find out what the market wants and supply it, just as the dairy industry has moved, for example, into low-fat products." says Kennedy.

There is scope for improvement in the presentation of fresh fish to the customer. Research shows that customers do not like to look into the eyes of dead fish on the fishmonger's slab. Where fresh fish is displayed as fillets, as in Scotland, more is sold.

Stores such as Marks and Spencer and Safeway are now displaying packaged fish in much the same way as they display other meats. But frozen fish is more often presented to the retail customer in poorly-labelled, plain plastic bags.

Frozen, ready-made meals are the fastest-growing item in home consumption of fish. But these fish dishes still form only a small proportion of total ready-meal sales.

"Our industry has got to come to terms with the fact that it is competing against other foods," says Kennedy. "If it is going to get its share of the housewife's budget, it has to give fish the sort of appeal that will attract her attention."

After the catalogue – the video

Mail order catalogues are generally huge and unwieldy, with 1,000 pages or more. They are trying to sell goods which may not look exciting on the page, and services such as insurance or credit terms with details in small print.

Although mail order has a strong following among some shoppers, the catalogues are not, perhaps, the best way to entice people to shop from home. But until recently there has been little alternative.

Mail order companies have experimented with videos, mainly of the "fashion show" type, which can bring the clothes to life as a model shows them off.

Great Universal Stores, one of the giants of the mail order industry, has now produced a video which takes the idea a step further and aims to give customers a flavour of the whole catalogue. Though unlikely to win any BAFTA awards, the video has generated interest among GUS's agents.

Customers can buy a pack of three three-hour videos for £9.99, with the half-hour programme recorded on one of them. It can be wiped off leaving all three blank. So far 50,000 customers have bought the pack, and three people are expected to watch each video. GUS is also giving away one-hour tapes with the programme on as a promotion to certain customers. GUS thinks that in total about 500,000 people will end up seeing this video, out of its total customer list of 10m. Customers also have the full catalogue.

Jackie Roberts, GUS's senior marketing executive, reckons the profit from selling the videos should offset the production costs of making the programme. Also on the video are advertisements from suppliers. Future editions of the video could generate advertising revenue for GUS as well as offering suppliers an alternative to buying expensive television time.

As well as showing goods from the catalogue, including furniture, bedding, crockery and kitchen appliances, not just clothing, the video has a number of other features. There are special offers for video customers, a competition and a cooking spot.

It explains some of the insurance and credit services, and, to Jackie Roberts' surprise, GUS's long-term agents admitted to learning something new, not having bothered to read the small print before. "This is no longer a society that learns from reading," she suggests.

GUS is now assessing the response to the video, using its database, to see if people who have seen it are more likely to buy a featured item than those who only have the catalogue.

The special offers can also be used to judge people's propensity to purchase from the video alone. An offer of jewellery has already attracted over 2,000 orders, a high rate of response. Also the take-up of offers such as "buy-now-pay-later" from the catalogue is low, but may prove higher from the video if customers understand the scheme better.

The video script subtly includes many reminders and reinforcing messages. The competition being run for video customers, for instance, asks five questions all of which are answered in the video – and that encourages people to rewind the tape and watch again.

Maggie Urry

The heat goes out of the gardening market

The long hot summer is turning into rather a dismal autumn for the UK's gardening market. After having been one of the most buoyant leisure markets of the 1980s – with sales this year expected to top £2bn for the first time – the downturn in consumer spending is expected to hit the sector hard.

"Expenditure on gardening is highly discretionary and thus vulnerable to any pressures on disposable incomes," points out Robert Senior, chief executive of Euromonitor, the market research company, which has just completed a comprehensive study of the gardening business.

"With the present slow-down in consumer spending, we expect little real growth in total expenditure in the gardening market this year after taking inflation into account," he adds. A further factor to have hit demand is the decline in private house building.

The main problem facing the market, the gardening products industry feels, is that expenditure per gardener is small relative to other household spending: little more than 70p per head per week or £100 per household a year. "It is clear that whatever recent growth has occurred in garden spending the national averages are low and would seem to have some way to go," says Senior.

The short-term pessimism comes after the gardening market has doubled in size since 1983 – from £1.03bn to an estimated £2.01bn this year. Research shows, moreover, that an increasing number of British households have a garden: up from 84 per cent in 1984 to 88 per cent last year.

But gardens are getting smaller. The number of gardens with lawns of over 150 square yards has dropped by 4 per cent since 1985 and three-quarters of all lawns are smaller than this.

The demographics of gardens shows, not surprisingly, that more people in the south of England have a garden; ownership is also higher among ABC1 socio-economic groups (professional and executive) and peaks with middle-age groups.

The largest sub-sector within the market is horticultural products (plants and seeds), which account for some 40 per cent of all spending. Unfortunately, as Senior points out, sales were hit this summer by the record level of sunshine which forced garden centres to reduce their stocks: "It was literally too sunny for many plants," he says.

Euromonitor also notes that traditional garden methods are in decline, thus reducing demand for seeds and bulbs but with sharply increased expenditure on bedding plants. Sales of such plants have risen from £35m in 1983 to an estimated £155m this year.

The growth of bedding plants, Euromonitor points out, is typical of the trend in the market; future expansion is not expected to be so across-the-board as previously. "Growth prospects are expected to be more selective," it says.

Big-ticket items such as garden sheds, conservatories, and lawn-mowers are not expected to continue on their growth track of recent years. But electric garden tools and lawn tractors are forecast to do well, in spite of the downturn in consumer spending, partly because of their novelty value but also helped by higher income groups buying larger out-of-town houses with big gardens, says the report.

Outdoor leisure equipment such as garden furniture and barbecues not surprisingly did well during the long, hot summer but future growth prospects clearly are subject to a repeat of the fine weather.

Fertilisers and lawn care chemicals are also projected as a growth sector in the 1990s. Indoor plants should also be an expanding market - "these are undergoing a revival with the burgeoning interest in home decor and wide availability through distribution channels," says Euromonitor.

Gardening into the 1990s, published jointly by Garden Trade News International and Euromonitor, 87-88, Turnmill Street, London, EC1m 5QU, £1,095.

David Churchill

TECHNOLOGY

Clive Cookson explores the ramifications of the discovery of mini-antibodies

Big prizes in small packages

New ways of making mini-antibodies, developed independently by British and American scientists, promise to increase greatly the scope of the biotechnology industry. They are likely to be the basis for a vast range of new drugs and diagnostic kits. And they could revolutionise the production of organic chemicals.

Two research groups, one based at the Medical Research Council's Laboratory of Molecular Biology (LMB) in Cambridge and the other at the Research Institute of Scripps Clinic in La Jolla, California, are working along similar lines. Their mini-antibody technology has several advantages over the monoclonal antibodies, or Mabs, which have been one of the twin pillars of the 1980s biotechnology boom (the other being gene splicing):

- Making Mabs requires several weeks' work with animal cells. Mini-antibodies are made by bacterial in a simpler process taking just a couple of days.
- A typical Mab experiment gives the researcher only a few hundred different antibodies from which to select the best. The new technology provides a far wider selection; scientists will eventually be able to choose from a "library" of billions of different mini-antibodies.
- The small size of mini-antibodies will allow them to do things that are difficult or impossible for bulky Mabs, such as destroying the cancer cells inside solid tumours and blocking the deep "canyon" sites on viruses.

The LMB group — led by Greg Winter, one of the world's outstanding molecular biologists — is ahead of the Scripps team in its published research. Its paper in last week's Nature is the first to show that mini-antibodies made by bacteria work in laboratory tests.

But the Californians say that their unpublished work is as far advanced as the Cambridge scientists. Both groups claim to be well-protected by patents.

Patenting antibody technology is a sensitive subject at the Medical Research Council, because the MRC and the National Research Development Council between them failed to patent LMB's 1975 discovery of monoclonal antibodies. (At that time the NRDC, which has since become part of the British Technology Group, provided the only route for patenting state-funded research.) As soon as the commercial potential of Mabs became clear, MRC and NRDC officials started blaming each other for the failure to patent — and it is still not clear where the main responsibility lies.

Mini-antibodies will give the MRC another chance to derive a large royalty income from antibody research. Dai Rees, the MRC secretary, predicts that the new technology will replace Mabs altogether because it is so much faster, cheaper and versatile. In the process it will by-pass the patents now in force for specific applications of Mabs.

The Mab market is still in its infancy. A report issued this summer by Frost & Sullivan, the international market research organisation, puts total western European sales of health care products incorporating Mabs at $318m in 1988. It predicts a five-fold expansion to $1.58bn in 1993.

Most Mab products today are diagnostic kits, in which the antibody is linked to a marker to show the presence or absence of a particular protein. The best known examples are probably pregnancy tests incorporating an antibody against the hormone HGC which is produced only by pregnant women. Mabs are also used widely in testing for infectious disease and in blood and tissue typing.

But the great commercial promise of Mabs is in therapeutic applications. The first antibody-based drugs, now coming on to the market, are designed to remove toxins from the body. Wellcome of the UK, for example, has a Mab for treating digitalis poisoning. Two US companies, Xoma and Centocor, are racing to commercialise Mab treatments for the septic shock that sometimes kills hospital patients who are infected with antibiotic-resistant bacteria (the antibodies do not attack the bacteria themselves but remove the lethal endotoxins secreted by them).

Mabs linked to radioactive tracers are about to reach the market for medical imaging. These are designed to give doctors a better picture of tumours and heart disease in particular than is possible with existing instruments.

According to Frost & Sullivan, the largest therapeutic use of Mabs in the early 1990s will be to treat infectious diseases ($300m in 1993). The most publicised application of Mabs — as "magic bullets" aimed at cancer cells — will be taking off at the same time.

Rees says MRC policy will be to commercialise its mini-antibody or Dab technology as widely and as quickly as possible, by giving companies non-exclusive licenses in return for royalties that are likely to be 1 to 2 per cent of sales. Most of the royalties will go to the MRC's commercial fund though the LMB and the individual scientists will be able to keep some. "We have to use the proceeds to build up a war chest to defend our patents — and show people that we really mean to defend them," Rees says.

Defending generic technology patents of this sort inevitably requires heavy expenditure on legal fees, particularly in the US. The Scripps Clinic scientists, who are working with Stratagene, a Californian biotechnology company, are suggesting pooling their mini-antibody patents with the MRC.

"The best thing for us is to collaborate and join forces," says Joe Sorge, chief executive of Stratagene. The Scripps and LMB scientists are on friendly terms and discuss their research openly. But Greg Winter, leader of the LMB team, believes it is too early to negotiate a financial agreement.

The emphasis of the Scripps antibody research is somewhat different from the LMB project. The Scripps scientists, led by Richard Lerner, are particularly interested in applying antibodies to catalyse chemical reactions.

Catalytic antibodies have been demonstrated in the laboratory but not yet used in practical applications. The idea is to make antibodies work like enzymes to carry out chemical reactions that would not otherwise be feasible. This could turn into a huge business in the next century.

Whatever the precise practical applications of the LMB and Scripps research, Lerner has no doubts about its long-term significance. "Our overall goal is the same as theirs: to end a 200-year history of immunising animals to make antibodies," he says. The new technology will be used to build up a "library" of billions of artificial antibody components for almost any scientific application.

ANTIBODIES are the guided weapons with which the body defends itself against foreign invaders — viruses, bacteria and toxic chemicals. They are Y-shaped protein molecules made by special white blood cells. When these cells sense an unfamiliar chemical or micro-organism, they make antibodies with the right shape to lock on to the surface of the invader.

While the binding sites at top of the Y stick to the invader, the remainder of the antibody waves like a flag to summon other specialist immune molecules to come and destroy it.

A single cell can produce 2,000 antibodies per second. When there is a large invasion of, say, influenza virus, cells making the appropriate antibody proliferate rapidly.

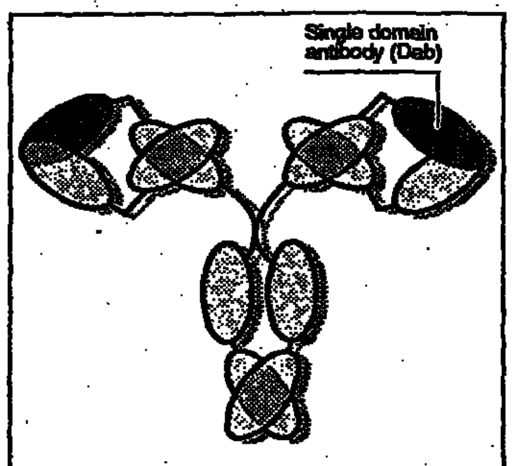
The original breakthrough in the production of artificial antibodies came in 1975 when Cesar Milstein and Georges Kohler of the Laboratory of Molecular Biology (LMB) in Cambridge discovered monoclonal antibodies (Mabs). For the first time scientists could make pure antibodies in large quantities.

But making Mabs is a complicated and expensive business. First you inject a laboratory mouse with antigen — the substance which the antibodies are to identify. Later you remove antibody-producing cells from the animal's spleen and "immortalise" them by fusing them with cancer cells. Then you screen the fused "hybridoma" cells to identify one that makes the antibody you want; this cell divides and proliferates in a suitable culture medium, producing a clone of identical cells all making the same Mab.

The new mini-antibody technology avoids the time-consuming work with cell and tissue cultures, because genes for antibody components are isolated directly from mouse spleen cells, using the latest genetic engineering techniques. Thousands of copies of each gene are made and inserted into bacteria, which then secrete the appropriate mini-antibodies.

An antibody is made up of 12 components, called domains. It turns out that the component known as the heavy chain variable domain, which contains the binding site at the each tip of the antibody, will work on its own as a mini-antibody. This is what the LMB has christened a single domain antibody or Dab (see diagram).

Dabs do not bind as strongly or as selectively as full antibodies but the LMB scientists believe that they will work well in many practical circumstances. If necessary, a Dab can be linked to a second component, the light chain variable domain. That construction is also a mini-antibody, about one-sixth the size of a full antibody.



Antibody structure

Protection from stormy weather

IN THE wake of hurricane Hugo, building research bodies are focusing on ways of testing whether new buildings will withstand the pounding of tropical storms.

A computerised test system has been developed by the Building Research Establishment (BRE) of Watford, part of the UK's Department of the Environment. Called Brerwulf, it can simulate the effect of a storm or hurricane on roofing material, cladding or windows.

The section of material to be tested, up to five metres square, is built into one side of a sealed pressure box. The computer instructs the patented valve in Brerwulf to imitate the pressures and suctions which characterise tropical storm wind conditions. It can work from meteorological records to replicate the pattern of a specific hurricane — such as Hugo.

The effects on the building material are collected and analysed by computer. The test, which takes a few days, puts the material through the same sort of wind treatment that it would receive during 50 years of use.

A synthetic's power to resist

SYNTHETIC materials have come a long way since celluloid was made from cotton and camphor in 1870, writes Andrew Wiseman.

A sturdy plastic material — called Tedur — which can withstand temperatures of up to 260 deg C, has been developed by the West German firm Bayer, of Leverkusen.

Tests have shown that it is resistant to many chemicals — even hydrochloric acid for up to 12 months.

Large-scale production of Tedur will begin by the end of 1989 in Bayer's Antwerp works. The manufacturers believe it will find widespread application in industry as a replacement for metal, and could be used in cars and modern jet engines.

The signalman's extra pair of eyes

BRITISH Rail Research is turning to one of the latest developments in computer technology to help ensure maximum safety on its level crossings.

It has commissioned software house SD-Scicon, of Fleet, Hampshire, to develop a computer system which combines neural network technology with pictures from a remote video camera. It will give signalmen a second pair of eyes when deciding how to operate level crossings.

Neural networks learn by example. In the British Rail project the computer system will be fed both photographic data of past events at the crossings and the decisions the signalmen made based on those pictures. From that, the computer learns to distinguish normal procedures from crisis situations.

British Rail Research believes the project could lead to other developments where the video camera and computer combination could perform tasks which are dangerous or monotonous.

The phone that wears two hats

THE spread of facsimile (fax) machines into the home has been hampered by the need to install a second telephone line.

Now the smaller business or domestic fax user can buy a plug-in unit which allows one telephone line to be used for both a fax machine and a telephone (or answering machine or computer modem). Developed by Banksia Information Technology (BIT) of Hong Kong, the Phaxswitch has now been approved for use in the UK and is distributed by Tracetax of Essex.

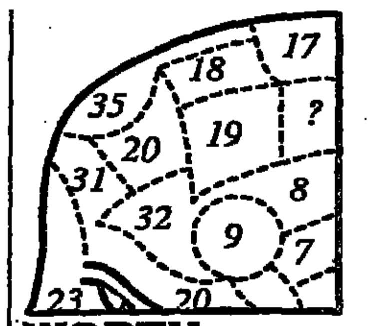
When receiving a call from an automatic fax machine, the Phaxswitch recognises the calling tone of the machine and switches into fax mode. When a voice call or one from a manual fax machine is made, a digitised voice asks the caller to differentiate between the two. If it is a fax message the caller is prompted to say "fax" after the bleep. If not, the phone will continue to ring. The machine costs £175.

Less radiation for a clearer picture

A SAFER form of medical X-ray could be on the way. Equipment is being developed that uses selenium rather than films of phosphor to produce the picture.

Because selenium is highly photoconductive it gives a higher quality picture with a lower radiation dose than existing processes. Tests at Philips's research laboratories in Aachen, West Germany, have shown that the dosage can be reduced by up to a factor of five.

The equipment under development at Philips uses a fan-shaped X-ray beam which moves across the part of the body to be studied. The image is recorded on a rotating cylinder covered with an amorphous layer of the selenium. That is then read by a series of electrometers and the data stored digitally for further processing.



WORTH WATCHING

Edited by Della Bradshaw

A quicker way to the green

GOLFERS could find their tee shots a less muddy experience by using an advanced turf system which already graces Newmarket Race Course and Blackburn Rovers's football ground. Techturf, developed by Britag Industries, part of ICI, comprises real grass seed — not the plastic variety.

The grass is grown on a combination of sand, fertiliser and small pieces of plastic mesh, through which the roots of the grass stem. The embedded mesh means that when the golfer hits the ball, the club cannot dig as deeply into the turf, limiting the size of the divot that is gouged out.

As well as growing the turf in situ, Britag is offering an "instant tee" surface, rolling pre-grown turf into place — just in case your course lets you down at the last minute.

Contacts: BRE: UK, 0923 894040. Bayer: W Germany, 214 301. SD-Scicon: UK, 0252 622171. BIT: Hong Kong: 5 610 4818. Tracetax: UK, 0268 710653. Philips: W Germany: 241 6003235. Britag: UK, 0904 611800.

LEGAL NOTICE

SPENCER KING PLC

Registered number: 1820617
Nature of business: Holding Company
Date of appointment of joint administrative receivers: 4 October 1989
Name of person appointing the joint administrative receivers: Midland Bank Plc.
CHRISTOPHER JOHN HUGHES and ROBIN MICHAEL ADDY
Joint Administrative Receivers
(Office holder nos 141 and 02) of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ

SPENCER KING (SPECIAL PRODUCTS) LIMITED

Registered number: 1978975
Nature of business: Builders and Building Contractors
Trade classification: N/A
Date of appointment of joint administrative receivers: 4 October 1989
Name of person appointing the joint administrative receivers: Midland Bank plc
CHRISTOPHER JOHN HUGHES and ROBIN MICHAEL ADDY
Joint Administrative Receivers
(Office holder nos 141 and 02) of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ.

PETER EDEN LIMITED

Registered number: 2143489
Nature of business: Estate Agents
Trade classification: 36
Date of appointment of joint administrative receivers: 9 October 1989
Name of person appointing the joint administrative receivers: Barclays Bank plc
JOHN MARTIN IREDALE and ROBIN MICHAEL ADDY
Joint Administrative Receivers
(Office holder nos 144 and 02) of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ.

DENTON PLANT LIMITED

Registered number: 710610
Date of appointment of joint administrative receivers: 4 October 1989
Name of person appointing the joint administrative receivers: Midland Bank Plc.
CHRISTOPHER JOHN HUGHES and ROBIN MICHAEL ADDY
Joint Administrative Receivers
(Office holder nos 141 and 02) of Cork Gully Shelley House 3 Noble Street, London EC2V 7DQ

FT LAW REPORTS

Tapes can be admissible evidence

REGINA v JELEN AND KATZ
Court of Appeal Criminal Division (Lord Justice Tasker Watkins, Mr Justice Tudor Evans and Mr Justice Auld): October 2 1989

ENTRAPMENT of a police suspect into entering unknowingly into a taped conversation, does not render the recording inadmissible as evidence at his subsequent trial, if it was made before he had been arrested or questioned and the court considers *it will not have an adverse* effect on the fairness of the proceedings.

The Court of Appeal Criminal Division so held when dismissing an appeal by Mr Anthony Katz, and refusing an application by Mr Lawrence Jelen for leave to appeal against their convictions in the Knightsbridge Crown Court (Judge Parker) for conspiracy to commit false accounting.

MR JUSTICE AULD said that in April 1983 a Mr Allen formed a company called Parkway Trading to deal in office furniture.

In November 1985 he employed Mr Katz to act as manager while he went abroad. Parkway owed over £39,000 to a company called Rabami. By the turn of the year the debt had increased to over £61,000.

Mr Jelen was a friend of Mr Katz. He was also friendly *with a* man called Mr Dempsey who controlled a company trading as Carly Jade.

The accounting records *alleged* to be false were two invoices from Parkway to Carly Jade for a total of £21,832, for chairs supposedly sold by Parkway to Carly Jade.

The central issue in the case was whether such a transaction had ever taken place or whether the invoices were false and created merely to give the impression to Parkway's creditor, Rabami, that Parkway, though in a parlous state, had money due to it.

On March 4 1986 Parkway assigned to Rabami the Carly Jade debt of £21,832. Shortly after that Rabami learned that Carly Jade had begun to go into liquidation. In fact it had begun to go into liquidation in mid-January 1986.

Mr Dempsey pleaded guilty to conspiracy to commit false accounting. After he was sentenced he gave evidence for the prosecution in the case against Mr Katz and Mr Jelen.

He said that at the beginning of 1986 Mr Jelen had offered him money if he would help Parkway by accepting, through Carly Jade, some Parkway invoices for office chairs.

According to Mr Dempsey, the proposal had been that he should *put the* invoices through Carly Jade's books and that they would then be cancelled by a credit note from Parkway in the following quarter. *He said* Mr Jelen had told him the purpose was to reduce a VAT bill. He said he agreed, thinking it would not hurt anybody. He had received the Parkway invoices from Mr Jelen, and got £500 for his trouble.

The chairs referred to in the invoices had existed. They had been delivered by Rabami to Parkway just after Christmas 1985. But according to Mr Dempsey they had not been ordered by him and they had not been delivered to him *or Carly Jade.*

Mr Dempsey had been the first to be arrested. He had admitted that the two invoices were false and that the *supposed shipment* was part of a cover story that he and Mr Jelen had arranged to present as genuine.

That was the first the police had heard of Mr Jelen's part in the matter. At that stage they had insufficient evidence on which to arrest *him. They* therefore asked Mr Dempsey if he would obtain some corroboration of what he had told them by arr*anging to have a* recorded conversation with Mr Jelen, without Mr Jelen knowing it was being recorded. Mr Dempsey agreed to cooperate *and* was released *on* bail.

Immediately after Mr Dempsey's release he had telephoned Mr Jelen, who *told him to stick* to the story he had given him. That conversation was recorded. Later Mr Dempsey had a further recorded *conversation with Mr* Jelen, in a car. Again Mr Jelen was unaware of the recording.

In the course of that conversation Dempsey *lied to Mr Jelen,* telling him he had not said anything to the police. Mr Jelen did not make a confession or admission of guilty involvement, but did make certain remarks from which his guilt could have been inferred.

He apologised to Mr Dempsey for not telling him that the chairs would "disappear." He said he had caused the chairs to disappear to get his own back on Mr Allen for messing his employees about. He told Mr Dempsey *to stick to the story* he had given him, and said he and Mr Katz would pay one third of Mr Dempsey's legal fees.

The recorded conversation ended with Mr Jelen agreeing to arrange a meeting with Mr Katz to make sure that he had the story right.

Mr Katz was the next to be arrested, and then Mr Jelen. Both were convicted of conspiracy to commit false accounting, and sentenced to nine months' imprisonment suspended for two years, and ordered to pay £5,000 compensation.

Mr Katz appealed against conviction and *Mr Jelen* applied for leave to appeal against conviction, on the ground *inter alia* that the judge was wrong to *admit* the evidence of the tape recording.

It was argued that the evidence was obtained by a trick, and the judge should *therefore have* excluded it as being unfair under the discretion to do so given him by section 78(1) of the Police and Criminal Evidence Act 1984.

Mr Martin for Mr Katz and Mr Jelen submitted it was unfair because, first, Mr Dempsey lied to Mr Jelen when he told him he had said nothing to the police; second, it was a confidential discussion; third, Mr Dempsey was acting as agent of the police and they, by the device of using him, avoided complying with the Code of Practice governing police questioning.

In support of those submissions counsel relied on *R v H (1987)CrimLR 47*, a rape case tried by Mr Justice Gatehouse, in which the issue was consent. The judge excluded recorded telephone conversations between the complainant and alleged rapist, which took place after he had been arrested, questioned and released. He did so on the basis that the recorded conversations were a trap. The complainant had lied to the defendant telling him she was not recording their conversations.

The submission in the present case was rejected by judge. He said the situation was not really different from a number of cases, where somebody had deliberately hidden to overhear a conversa*tion, or had gone into a* cell block and heard one defendant talking to another. The courts frequently admitted conversations of that *kind.*

The judge distinguished *R v H* on grounds that there the defendant had been arrested; had been interviewed under caution; had asserted his innocence; had been released pending further inquiries; and there had then been a series of recorded phone conversations all instigated by the complainant.

It was true, as Mr Martin submitted, that the present case went beyond the deliberate overhearing of a defendant in conversation. It involved the instigation by Mr Dempsey of a recorded discussion with Mr Jelen in which he deceived Mr Jelen.

There was undoubtedly an element of entrapment. But did that make it unfair so as to require *the judge, in the exercise of his* discretion, to exclude the evidence? The judge took the view that it was not unfair, and there was no reason to disagree with him.

As to the suggestion that the police were using Mr Dempsey in that way to avoid the requirements of the Code of Practice which would have governed them *had they chosen to* question Mr Jelen, the judge pertinently observed that Mr Jelen had not been arrested.

The provisions of the Code governing the detention, treatment and questioning of persons by police officers, were for the protection of those who were vulnerable because they were in police custody. They were not intended to confine police investigation to conduct which might be regarded as sporting to those under investigation.

As to counsel's reliance on *R v H*, the decision of a judge whether or not to exclude evidence under section 78 was made as a result *of* his exercise of discretion, based on the particular circumstances of the case and on his assessment of the adverse *effect, if any,* it would have on the fairness of the proceedings.

The circumstances of each case were almost always different. *There were a number of important* differences between *R v H* and the present case. Most importantly, the police here were *at an early stage of their enquiry* into Mr Jelen's alleged involvement, and had not yet even interviewed *him.*

It was sufficient to say there was no reason why the judge need have felt constrained to exclude the evidence because of the *contrary* decision in *R v H*, involving quite different facts.

Mr Katz's appeal was dismissed, and Mr Jelen's application for leave to appeal was refused.

For Mr Katz and Mr Jelen: Peter Martin (Beller Needleman)
For the prosecution: Simon Pratt and Ann Cotcher (Crown Prosecution Service, Inner London)

Rachel Davies
Barrister

ARTS

Janis Kelly and Richard Van Allen

Street Scene

COLISEUM

ENO's co-production with Scottish Opera of Kurt Weill's "Broadway Opera" has arrived at the Coliseum just five months after it was unveiled in Glasgow, where it was widely praised. David Pountney's staging brings with it only a few of the singers who took the roles in Scotland, though two of them – Kristine Ciesinski as Anna Maurrant, Janis Kelly as her daughter Rose – are the evening's stars. Everything has been assembled with care and perception, but it remains an unsatisfactory show, slow to catch fire, its hybrid nature, signalled by the Weill's description, with one foot firmly planted in the world of the Broadway musical and one eye casting fond backward glances at the European operatic tradition, is never satisfactorily resolved.

In subject matter at least *Street Scene* is securely within what is perhaps the central thematic channel of 20th-century opera, which it shares with *Wozzeck*, *Porgy and Bess*, and *Peter Grimes* – that of individuals cramped and confined by their social and economic circumstances, and by the strictures of their communities; aspirations are nothing, all they can do is dream or be destroyed. There are no heroes and villains in *Street Scene*, only victims.

In the last third of Weill's score the threads of this theme are pulled together very sharply indeed. The musical invention suddenly engages top gear; the build-up to the murder and its aftermath, and the final awful realisation that even the sparky, confident Rose has had her spirit crushed, definitively, are remorselessly plotted. All that is achieved through uncompromisingly operatic means, but the first act, and the opening of the second veer between the two styles, with the best numbers such as the Ice-Cream Sextet and "Moon-faced, starry-eyed" the frothiest and closest to Broadway, and even Anna's crucial "Somehow I never could believe" lacking the melodic identity that such an important aria needs.

Whether some of the cohesion could have been obtained through more purposeful conducting it's hard to judge; Carl Davis's affection for the score is never in doubt, but he sometimes handles things a little too fondly, lingering over toothsome details in a way that is neither helpfully expressive nor dramatically pertinent. Pountney's production manages both set pieces and individual characterisation with his familiar intelligence, though some details of David Fielding's design, the mummified figures and ghostly fluorescences, are harder to accept.

As hinted above, the performances pivot around Ciesinski and Kelly, who crystallise the ongoing tragedy of the Maurrants; even that of the murdering father (a marvellously complex, thoroughly believable addition to Richard Van Allen's roster of roles) seems likely to be reflected in his son; young Willie, one feels, could easily go the same way. Both ladies turn in wonderfully fragile, pathetic portraits, butterflies to be broken on the wheels of their hard-bitten neighbours.

There is a similarly sympathetic Sam Kaplan from Bonaventura Bottone, as futureless in his own way as the Maurrants, and a gallery of brittle portraits arrayed around them, Meriel Dickinson's Emma Jones and Anthony Mee's Lippo Fiorentino repeated from Glasgow and the others, led by Terry Jenkins, Susan Bullock, Blythe Duff and Simon Masterson-Smith, seamlessly integrated into the production. Catherine Zeta-Jones and Philip Gould bring the house down with their tap-danced "Moon-faced," but the evening is just a little short on show-stoppers like this: by the time Weill's passionate humanity takes hold in the last 40 minutes it seems like another opera altogether.

Andrew Clements

CINEMA

Guacamole Western

OLD GRINGO
Luis Puenzo

MELANCOLIA
Andi Engel

GETTING IT RIGHT
Randal Kleiser

STAR TREK V: THE FINAL FRONTIER
William Shatner

MILLENNIUM
Michael Anderson

Welcome to the Happy Revolution. *Old Gringo* is Hollywood's attempt to grapple with Carlos Fuentes's haunting 1985 novel about love, death and idealism in early-century Mexico. Though produced by Columbia Pictures, there are times you could be forgiven for thinking the film was sponsored by Rent-a-Poncho and the Carmen Miranda Memorial Society.

Are we still startled by what Tinseltown can do with great or good literature? I fear we are. Never mind the promising fact that *Old Gringo* is adapted and directed by the dream factory's newest draftee, Luis Puenzo (of Argentina's *The Official Story*). Fuentes's subtle 200-page reverie on the politics of emotion and the emotion of politics still ends up like a guacamole Western with pretensions.

Love-starved spinster Jane Fonda ("I've *always* been afraid of the unknown") goes to Mexico to become a governess. She bumps into septuagenarian writer Ambrose Bierce, played by septuagenarian film star Gregory Peck. Then she falls for handsome Jimmy Smits as Pancho Villa's right-hand General, Arroyo. As the war explodes around the hacienda this trio occupies, with Arroyo's troops, our Jane discovers carnal love (Smits) and spiritual love (Peck). She also realises that – yes, folks – Mexico is a country with real people and real causes worth fighting for.

Fuentes's novel spun an ironic daydream out of a historical enigma: the real-life disappearance of Ambrose Bierce in Mexico in 1914. Bierce's identity is only hinted at in the book: we guess at it along with the heroine. In the film it is slammed home in scene one, as our Greg – with dancing eyebrows and *basso cantabile* voice – dispenses puckish radicalism in a speech to a Washington literary audience.

Thereafter, spurious clarification is all. Instead of the dark mysterious human vintages of Fuentes's story, the movie's characters are bottles of Hollywood plonk wearing declamatory labels. Instead of Fuentes's shifting, ironic view of war, we have a series of gung-ho battle scenes (Peckinpah out of Delacroix) interspersed with identikit Mexican merry-making. (Where on earth are all the dead and wounded? Silly question. This is a Happy Revolution.)

Above all, instead of the complex relationships that form and re-form in the novel – with echoes of father-son (Bierce and Arroyo), father-daughter (Bierce and Harriet) and even sister-brother (Harriet and Arroyo) – we have three movie stars stuck like sparklers on the points of a hackneyed eternal triangle.

Beating a film over the head with its source novel is not always fair, nor even relevant. But everything wrong with *Old Gringo* can be traced to the way it trivialises its original: either through failure of imagination or through the "Let's keep things simple" mandates of the box office.

The only small miracle on view is Mr Peck. While Fonda and Smits subside into the terra infirma of cliche (Fonda's virginal gasps on deflowerment night are a particular embarrassment), Peck's old gringo somehow keeps his balance and dignity. The handsome old hawk-face; the smoky-white hair; and the liltings of a velvet-rich voice that has somehow learned new highs and lows, new laughs and sorrows in old age. Seventy-three years old, Gregory Peck has suddenly become a good actor. Such is cinema: even the most woeful movies can secrete a minor wonder.

*

Andi Engel's *Melancholia* might be called "Middle-Aged Gringo." The mid-life crisis that attacks us all at about age 40 – I think I feel one coming on now – assails a German-born, London-based art critic (Jeroen Krabbe) in this debut feature from the German-born London film distributor who runs the Artificial Eye company. A one-time political activist, our hero is asked by a former crony to help assassinate a Chilean ex-torturer, visiting England for a conference. Will he do it?

"You wake up one morning and you know you're washed up," muses the first-person voice early on. So yes, chances are he will: if only to salvage his self-respect and to revive the heady taste of 1968. Further spurred to disgruntlement by visiting ex-flame Susannah York, now living deep in yuppydom with a banker husband and a farmhouse in Tuscany, Krabbe is poised for an existential gesture. Since he is also writing a novel whose theme is "the collapse of all standards," the message is clear: give him the gun and point him towards the quarry.

Melancholia see-saws maddeningly between the trite and the intriguing. The picture of a Britain creepy with political apathy and recidivism is painted with sly strokes. Dennis Crossan's photography is *film noir* energised with hallucination-sharp touches. And Engel has a flair for turning stray gestures into telling *actes gratuits* of the soul: like Krabbe meditatively emptying a glass of water to form a tabletop puddle, as if decanting a liquid thought.

The problem is the absence of any convincing character beyond our hero, played with a knotty, ruminative power by Krabbe. In a movie too often resembling a low-octane variant on the Wim Wenders/Chris Petit school of doomy alienation, it is no wonder our hero feels *alone* and *ideologically* time-warped: he lives in a world of bloodless fellow humans. None of the men or women who rattle up to him out of the dark, delivering their thou-shalt or thou-shalt-not mandates, seems any more real than the stick-figure ex-torturer he must gun down. Result: a movie whose mood of mid-life melancholia seems as much a result of low creative voltage on the director's part as of menopausal self-questioning on the hero's.

Gregory Peck in "Old Gringo"

Getting It Right, directed by Randal (*Grease*) Kleiser and scripted from her own novel by Elizabeth Jane Howard, is a hit-and-miss, wackily cast British comedy with hair on the brain.

Who assembled this cast? And above all who coiffed them? Assisting the sentimental education of our hero, a young London hairdresser (Jesse Birdsall) seeking to lose his virginity, are Medusa-locked manic depressive Helena Bonham Carter, snooty Docklands nymphomaniac Lynn Redgrave (red wig, Roedean accent) and Peter Cook winning the toupee-of-the-year award.

Doubly qualifying for the epithet hairbrained, the film is also prey to the graver silliness of British comedy: jaunty music, "I say, I say" overemphases and a supporting cast of anything-for-a-giggle eccentrics.

The only scene-stealer I wished had stolen more scenes was Pat Heywood as our hero's semi-demented suburban Mum. With her strange eating habits ("You know I never eat at meals") and even stranger culinary habits (of her Mexican-style chicken, "There's a good pound and a half of Cadbury's *Fruit and Nut* in it"), she seems to have landed in the movie from some distant, intergalactic N.F.Simpson play.

Meanwhile, in another part of the galaxies: "We have a priority seven situation in the neutral zone." Yes, it is *Star Trek V: The Final Frontier*, and yes, the neutral zone is in trouble again. So are Spock, Kirk, Bones, Scotty and the rest of the crew, still running the Starship Enterprise when most of them should be occupying maximum-security retirement homes in Florida.

This new big-screen adventure is not their best. Indeed it is in many ways their worst. But who am I to discourage Trekkies? Much spectacle; many Klingons; a plot about a space guru who wants to meet God; and the usual gems of dialogue. My favourite: "Please, Captain, not in front of the Klingons." (Discover the context for yourselves.) William Shatner stars as Captain Kirk – what ever happened to his *Admiral status*? - and also co-wrote and directed.

Millennium is a piece of prodigal sci-fi nonsense about a society of the future which kidnaps present-day air crash victims just before they crash. Reason? The said victims contain essential nutrients for the 1000-years-hence race. Kris Kristofferson is the air safety supremo investigating; Cheryl Ladd is the futuristic lady who falls for him; and Michael Anderson directs from a script by SF writer John Varley. Half-cock special effects, quarter-cock plotting. (An entire sequence is repeated just to make a point about hiccoughs in the space-time continuum.) Beam me out, Scotty.

Nigel Andrews

La Traviata

CHURCHILL THEATRE, BROMLEY

London City Ballet knows the power of the familiar name at the box office. It is some indication of the way public expectations about ballet have generally been corrupted over the years, that the surest financial returns for a troupe come from the same cast-iron evening-long favourites. No matter how good or dismal the company, productions calling themselves *Swan Lake* and *The Nutcracker*, and a few cliché titles (I await the full-length *Neighbours*), are the key to solvency.

Hence London City Ballet, a medium sized and determinedly independent troupe, keeps afloat with the tried and true. And tried *La Traviata* certainly is – Ashton's *Marguerite and Armand* and John Neumeier's *Lady of the Camelias* have proved this – but true in this new version by André Prokovsky, never. Prokovsky has chosen to tell Marguerite's story entire, from country child (seduced by a local landlord) to consumptive courtesan. We are spared nothing – the hectic gaieties of the demi-monde, the provincial stuffiness of Armand's family, lyric scenes in the countryside, a good deal of coughing, jewels flung carelessly about. All this to fragments from *La Traviata* and other Verdi operas, cobbled together with little sensitivity, the orchestral texture interspersed with certain of Violetta's arias sung from the wings.

Design is by Peter Farmer, thin as to settings and, for this sensitive decorator, sadly lacking in credibility as to costume. But the piece itself is papery. By opting for what seems a bewildering succession of short scenes ending in awkward black-outs, Prokovsky curtails the very fact that can give the ballet real theatrical life: the overall sweep of Armand's passion for Marguerite. Instead of danced arias, we have an acreage of parlando recitative, dull scenes in which characters stand about looking cross or reproachful or wronged, and a few set pieces – parties in Paris or the country – in which vulgarity is more prevalent than gaiety. There is, indeed, a lack of any credible sense of period in dress or behaviour, and the antics of Marguerite's friends are brazenly coarse, and in the case of an interpolated divertissement at a party, crassly vulgar.

There is not enough compensation of impassioned dance for the principals, to make up for this frenetic and unconvincing activity. London City Ballet cannot summon up the necessary forces, imaginative or technical, to suggest the extravagances of this febrile world, and the interpretations of Kim Miller and Edwin Mota as the lovers are denied their proper setting. Miss Miller, a very gifted and touching artist, has pathetic and ecstatic moments but no space to develop them. Mr Mota (whom I recall in a brilliant graduation performance at the School of American Ballet) is given predictable variations which he does well, a disastrous grey suit, and little occasion to seem more than a conventional Romantic hero. With brisk editing to concentrate upon the lovers, a serviceable one-act *ballet may be found trapped* inside this fidgetty and uncertain staging. That ballet is *Marguerite and Armand*.

Clement Crisp

Apples

ROYAL COURT

It is an interesting point, often made, that the best pop rock song writers of the past 15 years have failed to make any successful transition to the musical theatre. Alan Price and Ray Davies spring to mind. Now Ian Dury, whose songs with the Blockheads I used to much relish in the Cock Tavern in the Kilburn High Road in the early *1970s*, joins their disappointing company.

Apples remains really what it started out as, a concert. And a pretty average one. Now dressed up with commercial money (the Court alliance is with Diana Bliss, who presented the dismal *Exclusive Yarns*), a trendy post-Modern set by Richard Hudson of subsiding telephone booths in a red and blue vista, and well cast with Bob Goody as a bent vegetable vendor and Frances Ruffelle as a whore, it remains *a feeble night out, slight and* trendily old-fashioned.

Even with Dury himself belting it out like a spiv clone of Richard III as a gutter journalist in pursuit of kinky ministerial capers, the opening night was reminiscent alternatively of John Osborne's infinitely superior *The World of Paul Slickey* and *Under Plain Cover*, two Court predecessors on the subject, and the last sad days of Joan Littlewood at Stratford East.

Dury plays Byline Browne, employed by the Disgusting Press International. He is after the members of the Wagmore Club, and homes in on Sir Hugo Sinister, a fun-loving ministerial distillation of various hounded MPs, only one of whom, Harvey Proctor, is mentioned. This infantile prurience masquerading as moral exposure is all to familiar. I will concede that Dury presents the journalist himself as a toad even more loathsome than Sinister. But, like Richard III, we are on his side.

The plot, to overstate the *trite proceedings, involves* missing minutes of the Wagmore club, a chase tound the vegetable stall where the junior barrow-boy, Simpson (Jesse Birdsall), falls in love with the tart after intoning an "Our Father" with goofy Dad (Bob Goody) comprising London place names.

Dury's lyrics extend to one or two good catalogue songs, full of bump and Latin American grind and lazily imperfect *rhymes, but none at all that* set the action going beyond activating the upper level of excellent musicians, led by composer Mickey Gallagher at the keyboards. If being hit by Dury's perennial rhythm stick will do for you, then so be it.

Lover boy ends up in prison, where he starts reading Dickens and P.D.James. Miss Ruffelle sings a couple of mediocre ballads very well, Pam Ferris doubles as stern magistrate and a blowsily concupiscent secretary, Alan David is bouncily Sinister.

The latter two performers munch a bag of chips each and *chuck the contents* over the front stalls. This is all part of an amateurish "it's not really theatre" ghastly jauntiness that keeps cropping up. Down sir, as the libidinous Sir Hugo says on occasion. I suppose this is part of a plot to *épater* the trendies. I wish it were a more successful attempt to widen this venue's points of entertainment reference.

Ian Dury is obviously no playwright; nor, I suspect, would he want to be considered one. You have to remember he thought *West Side Story* was a rotten musical. But in our most significant new writing theatre, it is decadent of director Simon Curtis to have signed up Hudson and showbiz choreographer Anthony Van Laast without going on to serious work on the book. *Miss Saigon* and *Les Misérables* have nothing to fear from this.

Michael Coveney

Alastair Muir

Ian Dury

The Haydn Series

QUEEN ELIZABETH HALL

The series devoted to late Haydn choral works at the Queen Elizabeth Hall continues with not a momentary lapse in the joyful inspiration of the music. The *Nelson* Mass, which formed the main part of Tuesday's concert, is typical of Haydn at his most imaginative, using its novel orchestral forces of strings with trumpets, drums and organ to paint an ominous backdrop of war, without ever letting the idea seem heavy-handed.

There is no other way to approach this composer's best choral pieces than to jump in with unbounded energy, which is happily what The Choir and Orchestra of the Englightenment did here under their conductor of the evening, Simon Preston.

Either because Mr Preston is a noted choral conductor or because the singers were better placed than before, this concert belonged decisively to the *choir*. The small professional choral groups that have taken over performances of the classical repertoire invariably have a precision that their unwieldy forbears could not match, but the rhythmic attack of this ensemble – every consonant bitten off with impressive unanimity – was quite exhilarating.

Once the right energetic classical style has been set, the Mass largely plays itself. Haydn's effects are simple and will not misfire. Under Preston's benign direction all the performers gave the impression of enjoying themselves, with notable solo contributions from Michael George and Lorna Anderson, once an edge *to the soprano's voice early on* had softened. Margaret Cable and Joseph Cornwell, mezzo and tenor, made up the quartet.

The first half of the programme consisted of the Concertante in B flat, in which the orchestra sounded less sure and fiery than they do when playing under a conductor, and the String Quartet in G, Op 77 No 1. The latter was an interesting diversion from the usual programme-planning and the Gainsborough Quartet, playing on period instruments, gave it a polished performance.

Richard Fairman

ARTS GUIDE

October 13-19

EXHIBITIONS

London

The Royal Academy. Gauguin and the School of Pont Aven – a fascinating study of the prints made in the 1880s and 1890s by the loose society of artists that came together at Pont Aven in Brittany, of which Gauguin was the leading but not necessarily, at the time, the outstanding figure. A handful of related paintings is shown, and there are outstanding groups of prints by Emile Bernard, Armand Seguin and the Irishman, Roderic O'Conor, among several others. Sponsored by Banque Indosuez and W.I.Carr. Daily until November 19.

Paris

Institut du Monde Arabe. Egypt-Egypt. An exhibition of 25 chef-d'oeuvres, including the most recent finds, starts with statues and bas-reliefs dating from the middle-empire, continues with a golden crown of a high priest of Osiris with some elements of Roman art and Coptic icons and concludes with Islamic exhibits. 1, rue des Fosses-Saint-Bernard (closed Mon). Ends Jan 14 (40513838).

Brussels

Europalia Japan 89. *Having* celebrated the art and culture of Austria two years ago the Europalia *turns to the east this year*, bringing to Belgium the most spectacular festival of Japanese arts outside Japan. It opens this week with music and dance by the Imperial Gagaku orchestra and an exhibition of Japanese sculpture and painting at the Palais des Beaux-Arts. Art, music and theatrical events will be on show across Brussels over the next three months until the festival ends on December 17.

Madrid

Fundacion Juan March. Retrospective of Edward Hopper opens theautumn season at the foundation. 61 works by the New York realist covering a period of 56 years. Until Jan 4.

Barcelona

Fundacion Caja de Pensiones. International art. Exhibition of contemporary art from the museum's holdings acquired since1985, including works by Forg, Huber, Mucha, Deacon, Kiefer, Polke, Cucchi and Merz. Closed Mon.

Bonn

Beethovenhalle Bonn. 50 portraits of Beethoven by the American pop artist Andy Warhol. In addition to the Bonn Beethovenfest, an Andy Warhol exhibition is taking place until October 1.The Bonn gallery owner Hermann Wuensche commissioned these Beethoven portraits from Andy Warhol for Bonn's 2,000th anniversary. After a year of intensive study of Beethoven, he completed a series of coloured graphic works before he died last year. They are based on the 1821 original, by K.J. Stieler, showing the composer aged 48.

Berlin

Bruecke Museum, Bussardsteig 9. A *Franz Marc* retrospective with 180 drawings and aquarelles (1880-1916) most of the German expressionist painter's works, can be seen for the first time until Oct. 29. His famous hand-coloured print of two horses, one blue coloured the other red-black, with a red, blue, yellow and green ground, was published in a luxury edition of the almanac Der blaue Reiter.

Bonn

Stadtisches Kunstmuseum, Rathausgasse 7. Glanzlichter, 40 years of government support for art. This exhibition shows for the first time selected works of art from 11 centuries and attempts to present an impression of all aspects of culture during this period, with the help of government, foundations and private sponsorship. Works by Albrecht Dürer, Wolf Huber. Antoine Watteau, Heinrich Vogeler, Max Beckmann and Meissen porcelain are on display. Ends Nov 22.

Vienna

Secession. The highlight of the next few weeks will be the 100th *anniversary of* the birth of Ludwig Wittgenstein, the philosopher, architect and craftsman *who until recently had not been* appreciated by his fellow countrymen. The indomitable staff at the Secession, the wonderfully renovated gallery where Vienna's radical and anti-establishment artists set up their workshop at the turn of the century, finally raised the funds to organise this long overdue exhibition. Ends October 29 and not to be missed.

Venice

Palazzo Grassi. *Italian Art:* 1900-1945. An exhibition covering a briefer period than did the *recent show at the* Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear context, emphasising links with contemporary literature, music and cinema. The exhibition ends with two blown-up stills from films by Visconti and Rossellini. Ends Nov.

New York

Whitney Museum. A special exhibit from the museum's extensive holdings of Edward Hopper highlight the realistic painter's Paris and domestic scenes among the 150 pieces in all media. Ends Nov 5.

Washington

National Gallery. An international collaboration showing the major works of Frans Hals outside the Netherlands for the first time starts here with more than 60 paintings; next year it travels to the Royal Academy, London and the Frans Hals, Holland. Ends Dec 3.

Tokyo

Idemitsu Museum. Zen Paintings by Sengai (1750-1837). Ink paintings and calligraphy by a monk whose witty works reflect the essence of Zen Buddhism. Closed Mondays.

SALEROOM

Sotheby's was selling second division Old Master and British paintings yesterday and getting some first division prices. This market has improved greatly in the last year and the sale totalled £1.8m, with less than 7 per cent unsold.

The top price was the £99,000 (estimate under £20,000) paid *for a gold ground Madonna and* Child with saints attributed to the studio of the 14th century Italian Agnolo Gaddi. A gathering of birds by Jan Van Kessel the Elder quadrupled its estimate at £90,200 and a view of Venice by Vincenzo Chilone sold for £88,000.

The two day Monaco sale of the library of H. Bradley Martin brought in £1,116,649 with a top price of £45,652 paid for Proust's presentation copy to Anatole France of *Du Coté de chez Swann*.

A.T.

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700
Thursday October 19 1989

The future of East Germany

THE RETIREMENT of a 77-year-old leader, known to have been in poor health lately, is not in itself surprising or exciting. If Mr Erich Honecker had announced at the beginning of the year that he would resign as head of state and leader of the Socialist Unity Party (SED) at the first Central Committee meeting after the 40th anniversary of the German Democratic Republic – or even if he had done so when hospitalised for his recent operation – the event might have been seen as of limited political significance, especially if it had been announced at the same time that he would be replaced in both positions by Mr Egon Krenz.

Mr Krenz, aged 52, long the heir apparent, is regarded as the least sympathetic, among his generation of East German communist leaders, to any suggestion of political changes inspired by those that have been taking place in the Soviet Union. Indeed he made his contempt for such suggestions explicitly and publicly clear on a visit to West Germany earlier this year. The choice of Mr Krenz as successor thus virtually rules out any interpretation of the change as being dictated directly from Moscow. That would, in any case, be quite contrary to Mr Gorbachev's repeatedly declared principles, and it is doubtful whether Moscow any longer has the non-military means to bring about such a change.

Political timing

Yet the timing, and the suddenness, of Mr Honecker's departure, are such that it cannot possibly be unconnected with the political events that have shaken East Germany in the last few weeks: the spectacular exodus of East German citizens to West Germany via other East European countries; the hollow celebration of the 40th anniversary; Mr Gorbachev's visit with his carefully leaked message that one ignores the tide of history at one's peril; the timid appearance of organised opposition groups; and above all the mass demonstrations for change in the last ten days with the Party's two-stage response to them – first repression, then a search for detente and promise of "dialogue" coupled with an admission, for the first time, of the need for change.

What sort of change remains so far unspecified, the hints of conciliation have been very cautiously phrased, the offers of dialogue carefully restricted so as to exclude the organised opposition. But clearly in these circumstances Mr Honecker's departure is meant to be seen as change rather than no change. At the same time it must surely be realised, by Mr Krenz among others, that in itself it will achieve nothing except to raise expectations of more substantial changes to come.

Path of reform

The aspiration of the East Germans for freedom has been very clearly articulated. It is, of course, the same aspiration voiced in other parts of eastern Europe, but perhaps in a purer form, since the East Germans have not been driven to voice it by economic crisis. By east European standards they do indeed enjoy relative material prosperity. Even if the regime possesses a recipe for delivering greater material prosperity without political reform (a highly dubious proposition) it is clear that this would not defuse the crisis.

Some people in the West, and even some senior figures in the SED, have argued that the path of political reform is not open to East Germany because "socialism" as currently practised there provides the only raison d'être of a separate East German state – or, to put it another way, the East Germans cannot have freedom because they would use it to abolish that state. That may be true in the very long run, when "freedom" might come to mean freedom from the geopolitical constraints of the post-war European order. But in the short run there is no sign of an urgent demand for a single German state, but plenty that the existing state be freed from its present stifling political system. If the post-war order is to be transformed in a peaceful and orderly fashion, Mr Krenz and his colleagues will have to set about satisfying that demand without further delay.

A strategy for UK science

BRITISH SCIENTISTS are troubled. They fear that the creativity of science in Britain may be endangered by intensified competition for research funds and by the Government's policies towards science. These policies are a paradoxical contrast with its policies for the economy, and with the traditions of academic freedom. Instead of fostering dispersed decision-making in science, the Government has encouraged more central influence. Instead of promoting the growth of knowledge, it has requested more "exploitable" research. Instead of reducing government control over the universities, it has favoured more selective allocation of funds. Ministers appear to think that scientists should produce more practical benefits for the taxpayers who support them and that more businesslike central management will ensure that they do so.

The productivity of science depends on the quality of the ideas and experiments done by people who mostly work in small groups and whose output is unpredictable. Outsiders are badly placed to judge which research deserves support. Decisions should be based on the quality of the individual more than the nature of the proposal, and a multiplicity of sources of funds will reduce the risk that valuable projects are overlooked. Attempts to direct scientists into supposedly useful subjects are likely to favour the opportunistic rather than the creative scientist. Imposing central guidance on scientists is more likely to reduce productivity than increase innovation.

Unpredictable benefits

Government expenditure on science cannot be determined by expected economic or social benefits, because they are unpredictable for any one project. Expenditure decisions have to be based on the benefits to education and the value of greater knowledge, which has proved economically valuable in the aggregate and over time.

The highest priority for government expenditure should be research that could lead to radical changes in scientific thinking and knowledge. The risk that such innovative work will get put aside must be greater when priority is given to "exploitable" research. Increasing the funds which universities can spend on research projects of their own choice could help to finance such work. But the difficulty of deciding centrally where funds should best be spent makes the retention of block grants desirable. Decisions on expenditure could then be taken locally by those closest to the alternatives.

Diverting academic scientists into "exploitable" research draws them into work that is better undertaken or financed by industry. Research which can be exploited by industry is most likely to be exploited if firms have performed or financed it; and if firms can benefit from some research, they should finance it. Initiatives for industrially relevant research in universities should come from industry or academics.

University independence

Private sector finance for academic research can have two beneficial effects: it provides more decision points about funding research and it increases the universities' independence of government. British universities have recently increased their income from contract research and consultancies for industry. But research unrelated to a company's existing business is not treated as a business expense, discouraging the use of universities for the speculative research they could best perform. British universities receive trivial amounts in donations, unlike their American equivalents.

A radical change in the attitudes of British businessmen would be required before they gave more money to universities. The desirability of introducing alternatives to government finance justifies a more attractive tax regime for company donations in support of pure research by universities and charities. This would signal to industry that its assistance was desired.

Such an incentive is unlikely to produce rapid results. But expenditure should build up as industrialists came to appreciate that they gained from paying to keep the universities healthy and their companies well-regarded by graduates they might wish to recruit.

John Lloyd assesses the new leadership of East Germany

In the question of (socialist identity) there is quite clearly a fundamental difference between the German Democratic Republic and other socialist countries . . . their statehood is not dependent upon their political system.

Otto Reinhold
chief ideologist of the
Socialist Unity Party,
August 19 1989.

Those who delay are punished by life

Mikhail Gorbachev
to Erich Honecker
7 October 1989.


Egon Krenz and (right) Erich Honecker

Heir to an uneasy throne

These two quotations are the rock and the hard place between which East German politics has bounced these past two months. On the one hand, the Reinhold view – shared presumably by his fellow leaders – that Marxism-Leninism, rather than traditional borders or ethnicity, defines the state. On the other, the Gorbachev response – to bend, at least a bit, to pressure from below. This is a view presumably shared by some among the GDR communists, and seized on with acclamation by the swelling numbers of demonstrators in Dresden and Leipzig.

We cannot yet know to which of these Mr Egon Krenz will attempt to cling. His reputation points to immobility. Though regarded as a moderate reformist when heading the Free Democratic Youth organisation, he has – since becoming a full voting member of the Politburo in 1980 and being groomed as the heir – been at least as hard line as Erich Honecker, the man he replaces as General Secretary. He has voiced open contempt for the Soviet reforms, together with a determination that the GDR would not take that road. That in itself need tell us little. Mr Gorbachev has in his time been a loyal Breznhevite and at 52, Mr Krenz is young enough to change, in spite of what would seem to be his instincts. But will the situation he meets let him?

He is only the third party leader in the forty years of the country. The first *Landesvater*, Walter Ulbricht, was himself pushed out of office by Honecker in 1971, with the support of Politburo colleagues who saw his economic reforms failing, and probably with the connivance of the Soviet Union. (Moscow had been irritated by his opposition to its softening policy on West Germany and West Berlin.)

Krenz has voiced open contempt for the Soviet Union's reforms

Honecker enforced absolute loyalty to the Soviet Union – until Gorbachev – and scrapped Ulbricht's economic liberalisation in favour of tight central planning and the primacy of rising living standards, which has produced the best growth rates in eastern Europe. Warmer personally than Ulbricht, he nevertheless ensured the complete dominance of the Party over all political, economic and social life.

Under Honecker, according to Mr Michael Dennis, a political scientist specialising in East Germany, "the GDR has not only come out of the diplomatic cold, it has come of age." That achievement depended heavily on a response from the West, which was forthcoming. When in September 1987 Honecker paid the first official visit of an East German head of state to West Germany, he crowned a 16 year period of undoubted achievement. Had he left office then, in his 76th year, he would have been a member of that tiny and exclusive club of East European leaders who retire with honour and their freedom. His retention of power precipitated yesterday's humiliating removal.

Egon Krenz, a quarter of a century younger than Honecker, is thus faced with a restricted choice – but a choice nevertheless. He can, as his past would suggest, maintain the kind of no-change policy which the outgoing leader proposed in his speech ten days ago on the occasion of the state's 40th anniversary celebrations. Honecker said then: "We have answers to all the questions: ours is the better world."

But in the concomitant removal from the Politburo and the Central Committee of the fading Joachim Herrmann and the more powerful Guenter Mittag, the architect of East German economic policy, he has been given a relatively free space to innovate. The most likely course for him to follow, analysts suggest, is the opening of a dialogue with at least some of the groups now pressing for change.

In this he will have support from some of his senior colleagues. Kurt Hager, the Politburo member responsible for ideological issues, said last week that the GDR leadership should respond to the current needs and moods of the masses. He called for greater involvement of citizens in "the solution of socially important issues."

Harry Tisch, also a Politburo member and leader of the official trade unions, has talked in the same accents. The mayors of both Dresden and Leipzig have opened up lines of communication with the protest movements in their cities. It is cautious and circumscribed. Dialogue, according to Politburo member Siegfried Lorenz last Saturday, must be "constructive" and must reflect "our humanistic ideals."

There remains a widespread belief in the leadership that New Forum, the main protest group, wants – in the words of Eberhard Aurich, leader of the youth movement, "to go in a completely different direction" from the Communist Party, one "that will take us where we don't want to go."

The protestors may be treated more gently than in the past by the police, but they are routinely portrayed in the media as drunkards and anti-social elements. Mr Krenz has no constituency for radical reform, even if he wished it.

He has some cards, however. First, there is as yet little sign that the protests have taken on what he and his comrades might term a "radically anti-socialist character." Indeed, New Forum itself has accepted that any change must be within a socialist framework, and has accepted the continuing hegemony of the Socialist Unity Party. There is only a small tradition of radical protest in the GDR, and no sign of it now – though these movements are young, and the momentum continues to build.

Second, there is some logic to Mr Krenz's well advertised dislike for the effects of reform elsewhere. The Soviet Union is embroiled in an economic and social chaos with which its leaders are struggling to cope by themselves resorting, even if presently only sporadically, to increasingly harder measures – the banning of strikes, a crackdown on the more reformist press, a populist endorsement of the public dislike of co-operatives. Poland has promulgated economic reforms of a free market kind which will deepen the crisis for many, probably most, of that country's increasingly impatient citizens. Hungary has yet to go as far, but living standards are falling and are likely to fall further as it sheds the communist monopoly of power.

Third, both Mr Krenz's "allies" in the East and governments in the West have strong vested interests in controlled change. That is true throughout eastern Europe, but it is quintessentially true here, where East is divided from West at once most deeply and most delicately.

Certainly, it has become obvious that the West Germans were appalled by Honecker's hard line. Mr Helmut Kohl, the West German Chancellor, yesterday warned that no aid would be forthcoming until reforms were made. West Germany's Social Democrat leaders, who had opened up communication with the East German communist party over the past two years, are now considering choking it off. Their own rank and file are protesting that new links must be forged with the protesters if the West German socialists are to remain true to their own traditions. None of that means the West Germans have any stake in a breakdown of the social order across the Wall; it is an indication, however, of the pressure for a controlled reform.

This returns us to the dilemma of the beginning: How does an East German leader bring about a reform which does not threaten the perceived reason for the state's very existence? On one view, the feat is impossible for the new general secretary to perform, and he will soon be seen as a stop-gap leader, like the luckless Karoly Grosz, general secretary of the Hungarian Socialist Workers Party for a mere year before more convinced radicals tossed him – and the Party – aside ten days ago. But that parallel does not hold very far. No other reformer in the eastern bloc can be as constrained as any would be in the GDR. And since that is the case, reform – *it may be argued* – can as well be attempted by a man with a conservative track record as any other.

There is only a *small tradition of* radical protest in East Germany

BOOK REVIEW

Imperfect, but indispensable

MR LAWSON'S GAMBLE
By William Keegan
Hodder and Stoughton £14.95

William Keegan combines a strong antipathy to Nigel Lawson's politics and economics with a sneaking personal sympathy. But the sympathy *is* never allowed to get in the way of the debating points. Occasionally this leads to ungenerous *judgments*, such as the author's refusal to give Lawson any credit for the build-up of stocks before the coal strike.

The book is certain to be publicised as a devastating attack on the Chancellor, and its timing is a brilliant publishing accident. Nevertheless it would be wrong to cast it aside on partisan grounds. Keegan is good humoured throughout and his approach compares favourably with the venomous attacks Lawson is now receiving from so-called monetarists in the tabloid press.

Casual contacts find Lawson "arrogant, difficult, prickly, private, *pugnacious and* moody." Those closer to him know that he is "personally kind, witty, loyal and extremely good company." Despite such observations, there is not nearly enough personal detail to make Mr Lawson's Gamble into a proper biography. However, any student of the last decade will find much valuable material here. The book, like its subject, is imperfect but indispensable.

The Chancellor emerges as a pragmatist, yet one always commendably searching for policy rules which would curb his own meddling instincts. This astounds Keegan, who quotes approvingly official complaints that things such as monetary targets, balanced Budgets, or EMS parities, "impale the economy on successive hooks." Lawson is too quick to claim to have found such principles – hence the bewildering rapidity with which they change – but is surely right to search for them.

Keegan has carried out research into Lawson's economic views as a journalist, junior Opposition spokesman and Financial Secretary. He finds many themes have persisted *despite the swervings on* macroeconomics. Lawson has always been a professed meritocrat, an anti-egalitarian, and has been rightly opposed to incomes policy because it would violate personal freedom if it worked. But his early advocacy of "a lavish financial scheme for the relief of poverty based on manifest need" could be usefully revived.

Lawson's suspicion of experts began with a forecast that *the Egyptians would* never be able to run the Suez Canal after the 1956 nationalisation. (Would that he had maintained this scepticism when the Treasury repeatedly underpredicted the strength of the British economy.)

Lawson was opposed to the Vietnam War and supported the Biafran revolt against Nigeria. He could never be "one of us," as he supported the Roy Jenkins Home Office reforms and has consistently disliked the idea of "ascetic self restraint." He even did the football pools.

In his subsequent narrative, Keegan reminds us that Lawson's *influence on policy* goes right back to his period as Financial Secretary in 1979-81. There is an unresolved debate between those who believe that the exchange rate squeeze on industry at that time decimated manufacturing industry and is at the root of our present problems; and those who believe that the shock treatment produced a fundamental change in managerial attitudes responsible for the subsequent *productivity improvement* – an improvement which Keegan denies and the CSO understates.

This book supplies a useful account, *but* also *tendentious* argument, on more recent years. Too much credence is given to selective off-the-record mutterings of Whitehall officials who appear as a Greek chorus (from the decadent period) giving verdicts.

Keegan confirms that Mrs *Thatcher first vetoed entry* into the EMS at a meeting in autumn 1985, saying "Ayes seven, noes one, the noes have it." Lawson's great political error was not to use his period of ascendancy as the architect of the 1987 election victory to insist on a Cabinet decision.

Indeed I know of no parallel to the systematic undermining of her own Chancellor in which the Prime Minister has, whether consciously or not, *subsequently engaged. The lat*est pressures on sterling could not have reached the dimensions they did without the reports in the Sunday press after the base rate increase suggesting that Thatcher and/or Walters were not prepared to use either interest rates or *intervention to prevent a fur*ther fall of Sterling.

On this occasion neither Thatcher nor Walters briefed the press directly, although there are some questions about the role of the No. Ten policy unit. The episode reminds me of the knights who killed the deposed Richard II, *believing* that they were carrying out the wishes of Henry IV.

Lawson is still very much alive. With hindsight, he *should have resigned* during the window of opportunity between his 1988 Budget and the onset of bad trade figures in the late summer of that year – after which resignation would have seemed like running away. He should now stay – but not at any price.

Samuel Brittan

OBSERVER

The quake of 1906

■ The Great Caruso was among the survivors of the Great Quake of 1906, but, unlike Jeannette Macdonald, he did not leave San Francisco singing. He was so shaken that, for him, the city had acquired the Evil Eye. And he refused to sing there again.

The earthquake struck not many hours after Caruso, with Fremstad and Journet, had *finished a performance of Car*men with a company in which the tenor was not only the star, but was also heavily involved as a business partner. Caruso was flung from his hotel bed by the quake and escaped through the burning city with little more than some of the sentimental photographs he travelled with.

When he finally reached his colleagues in the early hours, he seemed only able to maintain a blank look and mutter the word "Vesuvius", the volcano by his native Naples.

"Although calmer by the time they reached...(a friend's) house some miles out of town," writes Stanley Jackson in his biography, Caruso, "nothing would persuade him to sleep indoors. 'It's Vesuvius,' he kept repeating." He lay throughout the rest of the night under a back-garden tree with a towel around his two truly valuable possessions: throat and mouth. He never sang in San Francisco again, adding it to Barcelona and Palermo as the cities possessing the Evil Eye.

Radical Poles

■ The stream of Western visitors to Poland continues. Gerald Kaufman, Britain's shadow foreign secretary, has just *come back from* Warsaw and Gdansk with a message from Lech Walesa that around 80 per centof Polish industry should pass into the private sector, and that Britain would be a welcome buyer.

As Kaufman departed, the free market Adam Smith Institute opened a seminar in Warsaw's Wera Hotel on the privatisation of the Polish economy. Along with Madsen Pirie, the head of the Institute, there are representatives from S G Warburg, Morgan Grenfell, N M Rothschild and Price Waterhouse.

All of them are musing aloud on the Polish road to capitalism. The trouble is that the Poles present think that their Western visitors are placing *too much emphasis on* regulation. What the Poles want are free markets.

Scoop

■ Second time lucky for Bild Zeitung, West Germany's equivalent of The Sun. Last month it reported that Erich Honecker, the East German leader, was on his death bed. Yesterday it scooped his fall. *Hans-Hermann Tietje, the* editor, says the information came from the very top of the Party. Further predictions: more changes at the top and liberalisation of travel restrictions by the new leadership.

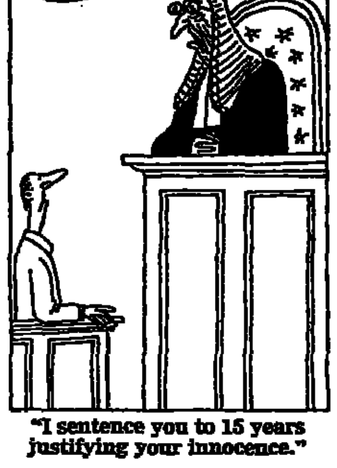
Leather man

■ The house of Lanvin may now be owned by Britain's Midland Bank, but its creative spirit, at least, is to remain French, with the nomination of Claude Montana, best known for his leathers, as its new designer.

Montana, now 39, had been widely tipped to take over as designer at Christian Dior after the sacking of Marc Bohan earlier this year, but the post was won by the Italian Gianfranco Ferre.

Montana started his career *with MacDouglas, the top* Paris leather shop, and has retained a fondness for this material. He branched out into men's ready to wear clothing in 1981, and launched his own perfume in 1986.

The task facing him is considerable. Lanvin missed the last round of Paris fashion shows in July, for the first time in its 99 year history, after the departure of house designer Maryll Lanvin, and Montana cannot afford to miss *with next January's collection.*



"I sentence you to 15 years justifying your innocence."

Dine in Fife

■ The Good Food Guide 1990, published today, has a new system of measurement. Restaurants are no longer given marks for elegance, service or ambience, but only for cooking. And the ratings are no longer on a scale of one to 20, but from one to five.

Four London restaurants receive the full five marks. They are L'Arlequin in SW8, Chez Nico and Le Gavroche, both in W1, and Tante Claire in SW3. Of the four, Le Gavroche can be the most expensive – up to £79, although its prices range down to just under £30. Only two other restaurants in England receive top rating: *Le Manoir aux* Quat'Saisons in Great Milton, Oxfordshire, where prices range up to £85; and L'Ortolan in Shinfield, Berkshire, where *the top price is £72.*

The only top-rated restaurant in Scotland is the Peat Inn at Peat Inn, Fife. Prices there are much lower than in England – £17-£38. There is a restaurant nearby, the Bouquet Garni in Elie, which gets a rating of three. In the introduction to the Guide there is praise for standards in Glasgow, but no top rating.

Make of it what you will. My own favourite restaurant in London (*Chinese and* unpretentious) is not listed.

Japanese toy

■ Carla Hills, the US Trade Representative, did not return from her recent Asian trip empty-handed. She brought back a plastic "rock plant".

About 12 inches high, wearing dark glasses and a red and white polka dot bow tie, the *plant, equipped with a sensor*, reacts to applause and sudden noises by swaying gracefully. Hills demonstrated its abilities at a breakfast with journalists, who broke their "no applause" objectivity to see the rock plant in action.

She said she had seen one *at a dinner during* her travels and, noticing its movement, at first theorised: "I must be tireder than I thought." Seeing one at the Tokyo airport, she couldn't resist, and set back the US trade deficit with Japan by another $30.

New world

■ From a Pennsylvania college magazine: "Greece today is still a magnificent country, but the glories of the past are gone. No longer do the streets of Athens echo to the words *of Socrates, the well-known* twit." Not to be confused with with Achilles, the well-known heel.

Martin Wolf calls for an end to political control of the money supply

The real issue at the Mansion House

Much has been heard of late about the peculiarities of a Japanese electoral system in which large presents from politicians to their supporters are normal. In this respect at least, Western commentators retain their otherwise battered sense of superiority. But their view is far more dubious than they suppose.

The ethical underpinnings of modern democracy are somewhat puzzling. The idea that those seeking power may use their own money to enter the retail market for votes became anathema in the course of the nineteenth century. The notion that a government may use the people's money to buy votes wholesale is, however, accepted without demur. Those inscrutable occidentals, the Japanese must feel, even if they are too polite to say so.

At present, for example, there is much discussion about whether the state of the economy will prevent the UK Government from exploiting the budget surplus in time for the next election. A parallel discussion focuses on whether interest rates can be lowered in time to purchase the votes of the home-owning majority of the electorate once again.

In the UK it has long been taken for granted that the government has the right to use public resources to purchase elections, with inflation just a particularly insidious form of taxation. But this form of democratic politics is not merely as corrupt as direct bribery, but is also more expensive. Even billionaires cannot compete with the resources of a treasury, especially one that is in full command of the central bank.

Since the Second World War growth in the UK has tended to peak at around the time of an election, with inflation duly followed about a year or two thereafter. The process is hugely damaging, the principal cost being the rise and fall of inflation and the economic instability that results.

Inflation is the most important consequence of the electorally-driven economic cycle. A Government that wishes to increase public expenditures or lower taxes will find it politically more effective to do so by increasing its borrowing than raising taxes or cutting spending. In time, a larger deficit will usually result in monetary expansion and so inflation. As was shown in 1987, however, there can be an election-winning monetary expansion even without an increase in public sector borrowing.

As public experience with this sort of manipulation has grown, the credibility of any announced government policy has been undermined. Given its control over monetary and fiscal policy, the Government is unable to commit itself credibly. Just last week the Chancellor repeated his opposition to devaluation. He has stated his determination to keep interest rates as high as is necessary for as long as is necessary to get on top of inflation. But this is what he has to say, whatever his true intentions.

It is too easy to envisage situations in which the political costs of living up to these fine words would be prohibitive. The consequent cynicism creates a vicious circle. Because those engaged in economic activity believe the commitments are likely to prove too costly to uphold as an election draws near, they pay little attention to them. Their behaviour, in turn, increases the costs to a government of upholding its commitments and so renders them progressively less credible.

Both the manipulation and the fear of it are of concern to the citizens of any country. They cannot benefit in the long term from a politically-induced business cycle that consistently destabilises their economy. But these costs should also concern the government. The difficulty inherent in any attempt to achieve and maintain economic stability is enhanced by the natural, indeed unavoidable, worry about the government's integrity. Like Caesar's wife, a government needs to be above suspicion.

The problem is that no government can be above suspicion as long as it retains full control over both fiscal and monetary policy, since the obvious reason for any government to insist on such control is that it might wish to abuse it. Notice, for example, that even Mrs Thatcher, who has made much of her hostility to inflation, argues that a link to the D-Mark would be "deflationary".

The solution is to tie the government's hand, a change that would be not only in its citizens' interest but ultimately in its own, because it would make announced policy far more effective. The ways of doing this that have been discussed relate either to the budget balance or to monetary policy.

In the US, for example, fiscal difficulties have led to serious discussion of an amendment requiring a balanced budget. But monetary policy is the more fundamental, for three reasons: first, without access to open-ended borrowing from the central bank fiscal deficits are, in the last resort, self-limiting; second, monetary policy has a more pervasive effect in a liberalised economy, not least because it can be manipulated to promote private rather than public spending; finally, inflation has effects that ramify throughout an economy, while the effects of a fiscal deficit are concentrated on the real rate of interest.

The case for an independent central bank dedicated to price stability was made most effectively just after the war by the so-called "Ordo-liberal" school in Germany. The ideas of the leading exponents of this influential school are, unfortunately, too little known outside Germany. This defect is remedied by the appearance of two books published today*.

In English, the untranslatable term "ordo" denotes the ideas of structure, system and constitution. A distinguishing feature of these thinkers – all profoundly marked by their experience of pre-war Germany – is their examination of economic policy in terms of its wider social and political ramifications.

One of their main aims was to de-politicise the control of money, the result of their advice being establishment of the Bundesbank. Because of its remarkable success, not only West Germany, but all members of the European Monetary System are now able to benefit from its independence.

In the same way, the US has the Federal Reserve. Whatever its occasional failures, it is horrible to contemplate what would have happened to American inflation in the 1980s if Treasury Secretaries like Donald Regan, James Baker and Nicholas Brady had not been confronted by Paul Volcker and Alan Greenspan.

Japan would appear to be the exception, but as so often it is the exception that proves the rule. In Japan independence from gross political pressures is enjoyed by the bureaucrats of the Ministry of Finance rather than those of the Bank of Japan. The permanent officials of the Ministry of Finance are able to follow monetary and fiscal objectives of their own.

For the UK, an intriguing model is New Zealand. Under proposed legislation, the Reserve Bank is to be contractually responsible for price stability. The Government will be entitled to over-ride it, but it will be required to do so in a politically transparent way.

The UK does not lack relevant experience itself. Until 1932 the Bank of England successfully ran a monetary policy that was largely independent of political pressures. Between 1900 and 1932, the price level rose by 55 per cent, a compound rate of inflation of 1.4 per cent.

Between 1932 and 1988, however, the price level has risen twenty-six times, a compound rate of inflation of 6 per cent. The price level has doubled even since 1979. If the present government cannot do better than this, no democratically elected government is likely to do so.

What the Chancellor of the Exchequer should do in the Mansion House speech tonight is not so much elucidate the technical details of monetary policy as explain why and how monetary policy is to be taken out of his own hands. One course is to follow the rest of western Europe and lean on the established reputation of the Bundesbank. The best alternative would be to follow the example of New Zealand and grant independence to the Bank of England. In making this choice, the Government would also demonstrate that it understands the distinction between monetary sovereignty, on the one hand, and political control over money, on the other.

If the Bank of England were independent and judged on its ability to deliver price stability, most technical monetary disputes would lose their current edge. One of the reasons for imposing monetary targets is, after all, to make the political commitment more transparent. An independent central bank can afford to be somewhat more pragmatic about its means, because it will in time be much more credible in its ends.

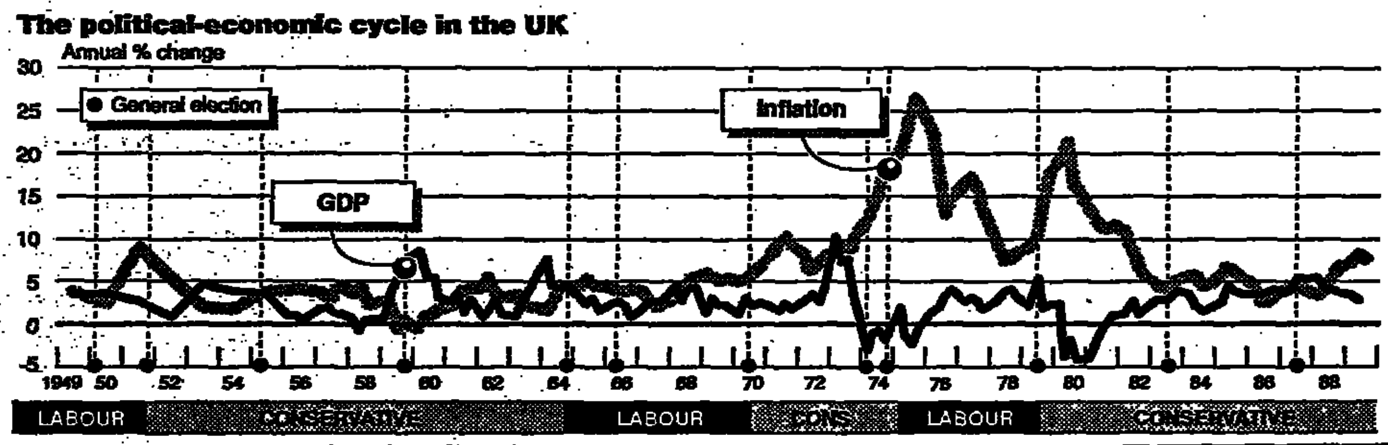
In an era of financial liberalisation monetary management is tricky. Broader monetary aggregates reflect the competitive behaviour of private financial institutions. But the nominal interest rates at which those decisions are made are determined by the central bank, which thus plays an inescapable role at the centre of the system.

Consequently, the creation of money is neither a nationalised nor a privatised industry. It is performed by a regulated, officially supported, but weakening cartel. In pursuing monetary policy a central bank can only feel its way, but an independent Bank of England should at least be feeling its way to the right destination.

By now, there may be no politically feasible alternative to reliance on the Bundesbank or even on Mr Delors' European System of Central Banks. Yet this need not have been so. The problem facing Britain has been solved in Germany by the Bundesbank. It could presumably be solved here, too. If Mrs Thatcher wishes to insist on British sovereignty, she should sacrifice political control and choose the only sane alternative to the EMS: an independent Bank of England that would be as good as the Bundesbank.

* *Alan Peacock and Hans Willgerodt (eds), Germany's Social Market Economy: Origins and Evolution; and German Neo-liberals and the Social Market Economy. Both published for the Trade Policy Research Centre by Macmillan, London and St Martin's Press, New York.*

The political-economic cycle in the UK



LOMBARD

Nanny Clarke knows best

by Michael Prowse

MR KENNETH Clarke, Britain's Health Secretary, has issued a new contract for family doctors. He says it will improve the quality of primary care by making general practitioners more responsive to the needs of patients. Doctors, on the whole, disagree. The new contract was overwhelmingly rejected in a ballot of Britain's 30,000 GPs. Characteristically, Mr Clarke has decided to press ahead regardless: the new terms and conditions are to be enforced on an unwilling medical profession.

Some commentators are heartened by conflicts of this kind. In their view, the medical profession is riddled with restrictive practices and dominated by the interests of the producers or suppliers of services. Doctors' objections to the proposed changes are self-serving since they cannot be expected to support the erosion of their own powers and privileges. As consumers of care, the public can only benefit from Mr Clarke's reforms.

This is an appealing but flawed argument. In the first place, the consumerist model of health care is not convincing. Studies do not suggest that people exercise choices about medical care in the way they do about hairdressing or supermarkets. Most people simply choose their nearest practice; 80 per cent of people have been with the same practice for five years or more. People typically change doctors only when forced to do so by circumstances; only 5 per cent move because they are dissatisfied with their physician.

Such behaviour is logical because few patients are capable of discriminating between good and bad care: high expenditure on prescriptions, for example, can be a positive or negative indicator depending on circumstances.

The second flaw in the argument is the tacit assumption that Mr Clarke knows what constitutes excellence in general practice. The new contract infuriates many GPs because it imposes a detailed series of requirements on them. Like hamsters in cages, they stand to receive rewards only if they jump through a series of hoops. Some of these requirements are controversial. For example, GPs will lose money if they do not meet demanding targets for screening of cervical cancer. Yet some consultants argue that mass screening serves no medical purpose and wastes much money.

The Thatcher Government claims to stand for choice and diversity. Yet Mr Clarke is struggling to impose a uniform model of primary care within the NHS. He is claiming to know what is good for all 30,000 GPs and their patients. As a minister at the Department of Industry, he would not have dreamed of behaving in this dictatorial manner: he would not have argued that all manufacturing companies must attempt to expand exports according to a blueprint written in Whitehall.

It would be more sensible to recognise that different doctors will approach their tasks in different ways. Some will lay more stress on preventive medicine than others. Instead of imposing uniform requirements from the centre, Mr Clarke should heed calls for the decentralisation of decision-making and responsibility within the NHS. There is no reason why family practitioner committees should not be responsible for drawing up contracts. In consultation with consumer organisations and other interested parties, they could specify the services required of GPs in their own localities. Such contracts could be monitored by regional health authorities which already have supervisory responsibilities for the practitioner committees.

Such a decentralised approach would lead to regional variations. Some practitioner committees, like Mr Clarke, would favour high capitation payments; but others would argue that performance can best be stimulated by increased reliance on item of service fees. No uniform model of general practice would be imposed; it would be possible to compare and contrast different local models. Doctors must be accountable for their use of taxpayers' money, but accountability requires neither uniformity nor loss of personal autonomy.

LETTERS

Money aggregates and different types of inflation

From Mr Brian Reading.

Sir, Dr Paul Seabright observes in his letter of October 17 "how poorly the broad money aggregates have performed as leading indicators of inflation in the last 10 years." This is partly because inflation is too narrowly defined. Attention is focused on the prices of currently produced goods and services, whether measured by the retail price index or broader measures such as the GDP deflator. All such measures of product price inflation exclude increases in the price of existing assets, such as houses, real estate, shares, old masters, antiques and other collectibles.

An expansion of credit can be used to purchase existing assets rather than newly-produced products. When this happens, the velocity of circulation is reduced, since the new spending does nothing directly to increase money GDP. Asset prices rise instead of real output or product prices. The inflationary effects of accelerating broad money growth in 1985-88 were apparent once attention is focused on asset prices. So rapidly did asset prices rise that net personal wealth rose some £400bn between 1985 and 1987, the last year for which we have figures, despite personal savings in those years of only £34bn. Asset price inflation pushed up personal wealth by the equivalent of three-quarters of the personal disposable income earned in those years. No wonder people saved less and borrowed more, immediately to increase their living standards. Hence the consumer boom.

Asset price inflation does not increase wealth, it merely redistributes it towards those who already own most. In the long term, it is politically more divisive than product price inflation. But in the short term it is popular because it makes identifiable individuals quantifiably better off without making anybody identifiably and quantifiably worse off. Had the Government attacked asset price inflation in the same robust manner that it attacks product price inflation, it would have reacted sooner to the over-expansion in credit from 1985 onwards and the British economy would not be in the mess that it is in today.

An asset price inflation index, published alongside the retail price index, would give a better guide to the inflationary health of the economy. After all, money which is lent is invariably spent, and the effects of this spending cannot be properly gauged unless the prices of all the things upon which money may be spent are considered.

Brian Reading,
83 Shakespeare Tower,
Barbican, EC2

From Mr Mark Brinkley.

Sir, Martin Wolf's excellent summary of our current economic plight ("Questions over the British miracle," October 14) suggests that the Thatcher experiment has largely failed. It is time to go one step further and say that the supply side theories of economic management have failed and to draw a line under the experiment.

The Chancellor is accused by Tim Congdon and the monetarists of being too loose with money since 1985, when he officially abandoned targeting money supply. Their analysis is correct as far as it goes: the money supply aggregates have grown at an alarming rate since then. There is apparently twice as much sterling now as in 1985. Inevitably, this must lead to a soft currency and inflation. However, the analysis ignores political realities.

The 1987 election was fought largely on one issue: unemployment. All parties had reflation programmes, of which the Tories' was the most conservative and without which they probably would not have been elected. The 1983 election was won on the back of the Falklands victory. Had there been no conflict, it is again doubtful that the Thatcher Government would have been returned. Short of engineering small colonial victories every four years, any government adhering to a strictly monetarist economic policy is unlikely to be elected twice. It is unlikely that a more monetarist government will again hold uninterrupted power in Britain for 10 years. If, at the end of 10 years, we find ourselves in the same kind of economic crisis that troubled us in the 1960s and 1970s, we must conclude that the new way of managing the economy has failed. There must be an effective and acceptable solution.

I suggest it is time to re-focus on demand as the main area to control. Incomes policies have been unfashionable since the demise of the Social Contract, but there remains much scope to introduce improved versions. One would be for a government to promise German-style interest rates in exchange for German-style inflation. To do this, the government could simply divert all pay increases over and above the level of German inflation into a savings account which individuals could not touch until retirement. Coupled with various credit controls as used in West Germany, this measure could ensure that there can be no wage spiral and opportunities for speculative borrowing would be limited. The fact that demand controls are prone to be evaded, as the Chancellor has pointed out, is no reason for not having them, just as laws are worthwhile even if they are sometimes broken.

Mark Brinkley,
10 Edward Street,
Cambridge

Cold comfort

From Mr Edgar Palamountain.

Sir, The recent shake-out in the financial markets is said to have been triggered by the collapse of funding arrangements for the proposed buy-out of United Airlines. This, in turn, has been represented as a serious blow for the take-over business as a whole. We may take some comfort in the situation.

The entire take-over scene, with its junk bonds, media hype and implications of insider dealing is at best distracting and at worst repugnant to the ordinary investor. The market in companies is one market we could well do without.

Edgar Palamountain,
Chairman,
Wider Share Ownership Council,
Juxon House,
94 St. Paul's Churchyard, EC4

Staffing schools in Surrey

From Mr Peter Renard.

Sir, We in Surrey face a problem in staffing schools similar to that described by Roger Darke in his letter of October 11. Teachers can still be found for every classroom, but their suitability may be called into question. It sometimes happens that advertised vacancies attract only one application, or a candidate may have no qualifications to teach the subject in question.

Those parents who have been closely involved with their children's schools know that they have been "run on the cheap" for many years. The system has only been kept going by the dedication and commitment – now in danger of being forfeit – of the majority of teachers. The Government must bear the blame for failing to fund the schools adequately – a problem which now threatens to turn the introduction of the national curriculum into a shambles.

Michael Prowse ("An obsolete tradition," October 13), draws attention to the 6½ per cent of children whose parents are able to have them educated privately. Britain's future prosperity will depend on the ability of the 93½ per cent to compete against children from other industrial countries who will not be handicapped by an inadequate education.

Mrs Thatcher says she wants a national health service so good that nobody would want to buy private health care. She should apply the same criterion to the education system.

Peter Renard,
Bentfield House,
Danes Way,
Oxshott, Surrey

Services exports

From Mr Peter McGregor.

Sir, Peter Brighton does well to show the error of including interest, profits and dividends in the services element of UK exports (Letters, October 17). This is a trap into which government ministers and other people have fallen in the past. Unrecognised, the error may lead to – perhaps has led to – policies which are unhelpful to manufacturing.

Since it is usually calculated that about one half of the true services exports are manufacturing related, the truth is that only one eighth of our total exports are services exports not connected with manufacturing.

Peter McGregor,
The Export Group for the Constructional Industries,
Kingsbury House,
15-17 King Street, SW1

FINANCIAL TIMES
Thursday October 19 1989

Hungary steps out of the shadow of Stalin

By Judy Dempsey in Vienna

HUNGARY'S parliament yesterday swept aside the legacy of Stalin as deputies voted overwhelmingly for radical changes to the constitution.

The 1949 constitution, which imposed a Stalinist political model on the country, destroyed all independent political parties and transformed Hungary into a "People's Republic" ruled by the Hungarian Communist Party, was yesterday overturned in the parliament.

In a packed house deputies voted for an amended constitution which put Hungary firmly on the path to parliamentary democracy. Instead of the leading role of the Communist Party enshrined in the constitution, the amendments now stress the "values of both bourgeois democracy and democratic socialism." In addition, they update Hungary's legal and civil code by emphasising the rights of the individual.

The amendments were essential for the holding of next year's parliamentary elections. These will be the first free elections since 1948, when the Communist Party seized power.

Mr Kalman Kulcsar, Minister of Justice, who had spearheaded the radical amendments, said yesterday in parliament that the amendments would be only the first phase of ushering in a completely new constitution to be drafted after the elections.

He told the parliament, "this is a transitional constitution", aimed at guaranteeing a peaceful and stable transition from the one-party state to a multi-party democracy.

The amendments are regarded not only as politically important for Hungary but also of crucial psychological significance, since the goal of the present government, led by Mr Miklos Nemeth, the Prime Minister, is to introduce and institutionalise the important changes before the communists finally cede power next year.

"In ways, it is a kind of guarantee that there can be no turning back", one deputy explained.

But as deputies voted through the amended constitution there were continuing sharp debates over how the country's next President should be elected.

The newly formed Hungarian Socialist Party (HSP), which superseded the Hungarian Socialist Workers (Communist) Party earlier this month, want the presidential elections to be held on November 26. The HSP has already endorsed Mr Imre Pozsgay, the radical reformer, as its candidate.

However, the small, radical Association of Free Democrats (SzDSz) is attempting to stall the election until after the parliamentary elections on the grounds that the President should be elected by the new parliament.

Crowd calls 'play ball' as rumbling subsides

By Peter Berlin in San Francisco

THE EARTHQUAKE struck at four minutes past five local time on a balmy San Francisco evening. There were 62,000 baseball fans gathered in Candlestick Park for the third game of the World Series between the San Francisco Giants and their local rivals, the Oakland Athletics.

It struck just after the marching band had left the field and before the national anthem. The stadium began to tremble, and there was a low, deep rumbling. At first, most thought it was a low-flying jet passing overhead on the San Francisco airport flightpath. The quake lasted for 15 seconds, but it seemed much longer.

The vibration in the upper deck of the three-level stadium was particularly exaggerated, and the concrete roof on top of the upper deck could be seen to shimmer. People stood up, but there was no panic, and, as the rumbling subsided, there was a sustained round of applause, followed by a chant: "Play ball, play ball."

At first nobody seemed worried, even though the lights went out, and everyone stood and chatted calmly in the evening sun.

In the press box, journalists had brought small televisions and radios, and news began to spread of serious damage elsewhere in the Bay area. When the Goodyear blimp sailed away from the ballpark to take its aerial television cameras elsewhere, it became clear that something serious had occurred and gradually fans began to leave the stadium, some proudly carrying lumps of concrete which had fallen off the roof as souvenirs.

The streets of downtown San Francisco were filled with broken glass and milling crowds. With the power out, the place took on an eerie feel.

Bars, which stayed open by candlelight, were crowded, as were the diesel buses, which continued running. Large numbers of people waited patiently outside Bay Area Rapid Transit Stations, hoping that the underground railway system would reopen to take them home.

A representative of the ferry company wandered down Market Street, the main thoroughfare, yelling that the ferries were offering free rides to Oakland. The only raised voices were for anyone smoking; local residents were scared of gas leaks, which were reportedly to blame for at least two fires.

In residential areas, people gathered on their front steps in the dark with their portable radios. Some, frightened of an after-shock, set up makeshift camps in the parks. The atmosphere was calm and friendly. The only lights were from cars, particularly the numerous police cars.

Volunteers came out and directed traffic at intersections, using flares. At one intersection, someone appearing to be a tramp was directing traffic with aplomb; at another, the traffic was stopped dead as three men with flares in their hands argued about the theory and practice of traffic control.

China crisis halts output from joint venture car factories

By Robin Pauley and Colina MacDougall in Guangzhou

CHINA's mounting political and economic crisis is bringing *all joint ventures with foreign* car manufacturers to a standstill.

Production at Volkswagen's Shanghai plant has stopped, Peugeot plans to close its production line near Guangzhou, the provincial capital of the southern province of Guangdong, on November 4, and the Beijing Jeep joint venture with the American Motor Corporation is cutting production in Peking of its new Cherokee model.

The shutdowns have been caused by a combination of collapsing domestic demand and harsh economic policies, political indecision at the highest level and a consequent paralysis in the bureaucracy.

This is an alarming symptom of the growing effect of the policy of the hardline leadership in Peking following the massacre of demonstrators in June. Both Peugeot and Volkswagen are now re-examining their investment strategy in China.

Chinese industry is also severely affected. Many small factories are closing due to the tightening credit squeeze and a shortage of raw materials.

Larger Chinese enterprises are also feeling the strain. The Guangzhou Automobile Manufacturing Corporation, a Chinese bus producer with 2,000 employees, is now barely ticking over with production of only 100 buses a year.

Peugeot which started ouput in 1986 with planned total investment of $200m between 1987 and 1992, is closing its production line next month because it cannot get the extended production quota *agreed for 1989 or any indication* from Peking of its likely quota for next year. It has already produced its 1989 quota of 7,000 cars.

On top of that, all car manufacturers are increasingly anxious about the inability of any Peking official to make decisions since June 4. They say that key issues like production quotas now have to be settled at high levels by the office of Li Peng, the Premier.

The true problem is the collapse of the domestic market. Volkswagen for example has a 1989 quota of 17,000 but will produce only 12,000-13,000 because the market has dried up. The stock of unsold Volkswagen cars is already about 4,000, tiny by international standards but huge for China's budding automobile industry.

Peugeot has not secured a new car sale for two months. The Chinese Government is in an even worse fix. It has purchased through barter trade 20,000-30,000 East European cars which remain unsold.

Peugeot is less exposed than Volkswagen which has a 50 per cent stake in the Shanghai enterprise and must now decide whether to make the investment necessary to raise production capacity to 60-100,000 cars a year. On the other hand, Peugeot whose equity stake is only 22 per cent, has as one of its partners the China International Trust and Investment Corporation (CITIC) which is in trouble with the new leadership because of its financial liberalism. CITIC is so short of cash that it has been unable to pay its share of the recently *increased equity capital in the* Peugeot venture.

"CITIC is in deep trouble. They cannot do anything for us and cannot make further contributions to the equity. We hope we shall have to close production for only two or three weeks next month, in which case we shall continue to pay our workers most of their wages because it would be catastrophic to lose highly skilled workers we have spent months training," said Mr Bruno Grundeler, general manager of Guangzhou Peugeot Automobile.

However, the company has already lost some highly skilled staff, if only temporarily, because of the political clamp down after June 4.

All the car joint ventures have been warning the Peking authorities of the dangers of the economic policies introduced last autumn. In October last year the central government began to levy a new Local Integration Fund Tax of yuan 25,000 ($6,750) on each car, followed in March by a Special Consumption Tax of yuan 20,000 ($5,400).

"Apart from the problem of getting a purchasing right ticket the customer now has to pay yuan 200,000 ($54,000) for a Peugeot 505 station wagon. We told them they would kill the industry but they ignored us. They say they are now considering cancelling the new factories but everything in China takes a very long time and if they do not hurry up we are dead," he said.

Japan's new scandal embarrasses Socialists

By Stefan Wagstyl in Tokyo

A SCANDAL involving Japanese politicians and political contributions from the pachinko (pinball) gaming industry yesterday brought the country's parliamentary business to a standstill.

The proceedings of a key Diet committee handling the proposed revision of an unpopular consumption tax came to a halt with no sign of when they might resume.

The debate was cut short by demands from ruling Liberal Democratic Party members that Mr Ippei Koyama, a member of the opposition Japan Socialist Party, should testify on oath about his involvement in the pachinko affair.

The LDP's attack turns the tables on the JSP, which forced *Parliamentary* business to be suspended for months during the Recruit financial affair by repeatedly demanding that senior LDP figures give evidence.

The LDP wants to question Mr Koyama about donations he allegedly received from the General Association of Korean Residents in Japan – a group with close links to both the pachinko industry and to North Korea.

Mr Koyama admitted receiving such funds in a an interview with Shukan Bunshun, a weekly magazine, but later retracted his remarks.

The issue is sensitive because pachinko is notorious in Japan for tax evasion and for links between some parlours and organised crime. In Also, addition, the General Association of Korean Residents is widely suspected of having close connections with the Communist Government of North Korea. Its members are often accused of spying for Pyongyang and of supplying it with funds.

The scandal is particularly embarrassing for Miss Takako Doi, the JSP leader, who, buoyed by election successes, *has been trying to tone down some of the ideological* elements in her party's policies, including its hostile attitude to South Korea.

As well as Mr Koyama, the LDP wants to question the newspaper reporter who wrote the story and two officials of the Pachinko Industry Association.

The JSP has agreed to the questioning of the industry officials only.

The allegations concerning Mr Koyama are part of a wide range of claims aired in newspapers about politicians and the pachinko industry.

The JSP has published a list of some 110 MPs, mostly from the LDP, who accepted money from the industry. Such donations are not illegal unless it can be proved that a recipient granted political favours in return.

But Mr Koyama's case is more sensitive – it is illegal to receive money from groups dominated by foreign influence.

It is not clear whether the General Association of Korean Residents would fall into this category or not.

However, its activities are monitored, out of national security considerations, by the Public Security Investigation Agency.

Lawson to stress fight on inflation

By Simon Holberton and Philip Stephens in London

MR NIGEL LAWSON, the UK Chancellor of the Exchequer, will stress the need to get inflation down when he delivers a strong reaffirmation of the Government's economic policy in his speech at the Mansion House in the City of London *tonight*.

Whitehall officials said yesterday that the Chancellor would not reopen the debate on Britain's full membership of the European Monetary System. The Government's position is that the UK will join the exchange rate mechanism of the EMS after remaining exchange controls are lifted by other members of the system and when the time is ripe.

Mr Lawson was not expected to announce fundamental changes to current monetary policy, but it has been speculated that the Chancellor might change the way the Bank of England funds foreign exchange intervention.

Currently the Bank "steril*ises" its purchases of sterling* in foreign currency markets by acquiring an equivalent amount of Government stocks in the open market – thereby neutralising any effect on the domestic money supply.

Mr Lawson's speech at the Mansion House tonight is expected to be followed next week by a full-scale Commons debate on the economy which has been demanded by the opposition Labour Party.

The Labour opposition attempted to make maximum political capital over remarks by Sir Alan Walters, the Prime Minister's economic adviser, who has attacked the case for full British membership of the European Monetary System.

*The proximity of the Man*sion House speech added to a restrained mood on London's financial markets. The pound ended higher against the D-Mark yesterday at DM2.9450 compared with DM2.9325 on Tuesday. It was a touch stronger against the dollar at $1.5885 and up 0.3 on the Bank of England's trade-weighted sterling index at 89.3.

The FT-SE 100 Share Index ended 34.6 higher at 2,170.1.

Bush pledges support for disaster zone

Continued from Page 1

much of what happened was seen live on television.

The earthquake struck just after the ABC network started its broadcast of the World Series baseball game featuring the two Bay area teams, the San Francisco Giants and the Oakland Athletics, from Candlestick Park on the west side of the Bay. The commentator barely had time to warn viewers before power was temporarily cut.

Over the following hours vivid and horrifying pictures were shown of fires and collapsed bridges as well as of the widespread dislocation in one of the US's leading cities.

As daylight faded there was an often-repeated picture of a policeman telling shocked residents that they had 90 minutes to prepare for night and the probability of no services, *power or water, for another* three days. They should not stand around doing nothing.

The Federal Government has moved rapidly to reinforce state and local rescue efforts. Mr Samuel Skinner, Transportation Secretary, flew to California to join Vice-President Dan Quayle, who was already in making a preliminary assessment of the damage for Mr Bush.

The signing of a disaster relief declaration for the seven most affected counties on either side of the Bay means that the Federal Government will pay at least 75 per cent of the cost of rebuilding damaged *bridges and other public facili*ties

After-shocks continue to rattle the area. The worst measured 4.5 on the Richter Scale and hit at about 2am yesterday. There is extreme nervousness about the possibility of another quake. Scientists said yesterday that serious though Tuesday's event was, it was not the big earthquake that they have been predicting along the San Andreas Fault.

THE LEX COLUMN

Mortgage worries for Beazer

There is something about *Beazer which does not* add up. Yesterday it produced another annual increase of 20 per cent in earnings per share, bang in line with its 10 year average. The shares fell. Indeed, they have done ever since Beazer launched its bid for Koppers 18 months ago. This year alone they have underperformed the beleaguered construction sector by 15 per cent. The yield is now 7.8 per cent, the discount to stated net asset value 63 per cent and the historic multiple just 5.

This partly represents the market's view that the $1.7bn Koppers deal represents a huge gamble which has not come off. The outlook for US construction is not encouraging; for UK housebuilding – still 56 per cent of operating profit – it is downright depressing. The result for the group could be a profits fall this year of over 20 per cent. No wonder Beazer has as its first priority the reduction of gearing from a stated 97 per cent.

That figure illustrates another part of the problem. A year ago net assets – including a revalued Koppers – stood at £824m. They are now given as £1,162m, even after knocking off a startling new provision of £296m for cleaning up pollution from Koppers' chemicals business. The difference seems to consist largely of newly calculated deferred tax, which seems rather notional compared with the reality of £1.1bn net debt. The market's response is neatly illustrated by the fact that net debt also represents three times Beazer's market capitalisation.

Even at that level the shares *are scarcely attractive*. The company most similar to Beazer in business terms is Tarmac, which languishes on seven times historic earnings and a yield of 6.5 per cent. Tarmac does not have Beazer's debt mountain: nor does it have its inventive flair with accounting conventions.

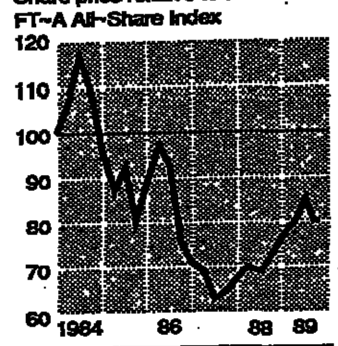
Whitbread

Whitbread's proposed sale of its wines and spirits business is a sensible admission of failure to achieve scale in a rapidly changing world market. The brands could do better with any of the bigger distributors; candidates might include Pernod, Suntory or even – given Whitbread's small share in the UK – Allied Lyons or GrandMet. If Whitbread gets *even £400m, it will have an* almost ungeared balance sheet with which to tackle restaurant expansion overseas.

It is less clear what happens next. The group's non-voting structure has sometimes led the market to think of Whitbread as an inaccessible treasure chest. With Mr Sam Whitbread relinquishing executive control, the sanguine investor might expect unbundling to proceed, even to the extent of selling the lately-expanded brewing division. This may be wishful thinking: indeed, with access to fresh equity limited by its share structure, Whitbread may need brewing cash flow to finance further expansion in retailing. Nor is it clear that the shares are undervalued: they are now on a higher rating than the sector leader, Bass.

Hawker Siddeley

Share price relative to the FT-A All-Share Index



Hawker Siddeley

It has been harder than usual this week to escape the sound of captains of British industry pouring scorn upon the short-term horizons of stock market investors. But the strange case of Hawker Siddeley's new strategy suggests that in reality the City gives managements the benefit of the doubt rather too readily.

The Hawker story has been an attractive one since the mid-1980s and the management's line has been confident. It has pared away sluggish businesses and thrust into the faster-growth electrical instruments and controls market. Yesterday's interim pre-tax profits up 16 per cent at £93m were as expected; and it is precisely Hawker's recent reliability which has sharpened the City's appetite for its shares since 1986. At 658p, they are now priced at 10 times expected 1989 earnings, a high rating for an engineering company.

So it is odd, then, that investors now learn from Hawker's bright-eyed new chief executive, recently arrived from Lucas Aerospace, that the City was missing the point all along. The official line now is that the company was actually overdue both for a shake-up and for a dash for growth. It must double its turnover to £4bn in four years, with larger acquisitions than in the past but refocused on a few core areas, or risk long-term defeat at the giant hands of such as Asea-Brown Boveri or GEC.

The strategy may well be admirable. But it is apparent inconsistencies and changes of tack like this which unsettle investors, as they have unsettled Hawker's share price in the last few months. For that, industrialists have only themselves to blame.

WCRS Group

If yesterday's restructuring of WCRS is such a good deal for shareholders, why does it have to be so complex and why has the company felt it necessary to tie up two of its biggest shareholders with standstill agreements? For a 10-year old company, WCRS has never been short of ambition. It used to call itself the most successful company in the history of advertising. Now it has admitted defeat in its efforts to build an international advertising network like the Saatchis or WPP and intends to go off and conquer the fast-growing world of European media buying. It may succeed; but in the meantime it is making itself virtually bid-proof, which leaves little defence for shareholders if the grand plan goes wrong.

WCRS's shares have performed miserably since the 1987 market crash, if not as badly as some. However, it still believes that being big is the secret of success in its business, which is why it is switching its affections wholeheartedly to its French media-buying affiliate, the dominant player in its field. If Carnat lives up to expectations, WCRS's earnings could continue to move ahead. But it has a very big domestic share already and will have to rely increasingly on duplicating its success in other markets. The assumption is that WCRS's shares will open at a premium from their 298p suspension price. But this will only be justified if the company is regarded as a French media stock. Compared with its UK rivals it looks expensive, especially *since any takeover pre*mium disappears if this deal goes through.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	20	68	Dubrovnik	S	20	68	Malta	F	22	72	Rhodes	S	18	64
Algiers	F	24	75	Edinburgh	C	14	57	Manchester	S	14	57	Rio de J'o	C	30	86
Amsterdam	S	16	61	Faro	S	23	73	Manila	C	34	93	Rome	S	19	66
Athens	F	20	68	Florence	S	18	64	Melbourne	–	–	–	Salzburg	S	17	63
Bahrain	S	30	86	Frankfurt	S	13	55	Mexico City	C	24	75	San Francisco	F	12	54
Bangkok	F	31	88	Funchal	F	22	72	Miami	S	26	79	Seoul	S	15	59
Barcelona	C	20	68	Geneva	S	12	54	Milan	S	15	59	Singapore	–	–	–
Beirut	–	–	–	Gibraltar	C	22	72	Montreal	F	5	41	Stockholm	C	5	41
Belfast	D	12	54	Glasgow	R	13	55	Moscow	R	4	39	Strasbourg	S	16	61
Belgrade	C	17	63	Guernsey	F	16	61	Munich	S	17	63	Sydney	–	–	–
Berlin	S	15	59	Helsinki	S	6	43	Nairobi	C	24	75	Taipei	C	28	82
Biarritz	C	20	68	H Kong	F	25	77	Naples	S	23	73	Tangier	S	27	81
Bombay	S	32	90	Innsbruck	S	16	61	Nassau	–	–	–	Tel Aviv	F	23	73
Bordeaux	F	25	77	Inverness	C	11	52	New Delhi	S	30	86	Tenerife	F	25	77
Brussels	S	18	64	Islamabad	F	28	82	New York	F	21	70	Tokyo	S	18	64
Budapest	S	18	68	Istanbul	D	13	55	Nice	S	21	70	Toronto	R	4	39
B. Aires	F	28	86	Jakarta	C	34	93	Nicosia	–	–	–	Tunis	S	24	75
Cairo	F	24	75	Jersey	C	17	63	Oporto	C	19	66	Valencia	F	23	73
Cape Town	C	16	61	Jo'burg	S	26	79	Oslo	F	8	46	Venice	S	16	61
Caracas	C	27	81	Lima	F	19	67	Paris	F	17	63	Vienna	S	15	59
Casablanca	C	23	73	Lisbon	F	20	68	Peking	F	15	59	Warsaw	C	14	57
Chicago	D	8	46	London	C	17	63	Prague	S	14	57	Washington	R	21	70
Cologne	S	17	63	Los Angeles	F	15	59	Reykjavik	F	6	43	Zurich	S	12	54
Copenhagen	C	13	55	Luxembourg	S	13	55								
Corfu	S	23	73	Madrid	F	18	64								
Dallas	–	–	–	Majorca	F	24	75								
Dublin	F	16	61	Malaga	F	24	75								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Honecker forced out after 18 years

Continued from Page 1

refusal of the official media to acknowledge the causes of mass emigration and the desolate mood in the country.

The choice of Mr Krenz to lead the country yesterday met with harsh criticism from increasingly militant East German opposition groups. Ms Bärbel Bohley, a founder of New Forum, the largest independent group with 30,000 members, said the people would be "very disappointed."

"Krenz represents those who are responsible for the present political climate in this country" Ms Bohley told the Financial Times. "I cannot imagine that he could introduce reforms. For one thing he does not enjoy the trust of people." She noted that Mr Krenz was responsible for a crackdown on the opposition in November 1987 which embittered many young East Berliners.

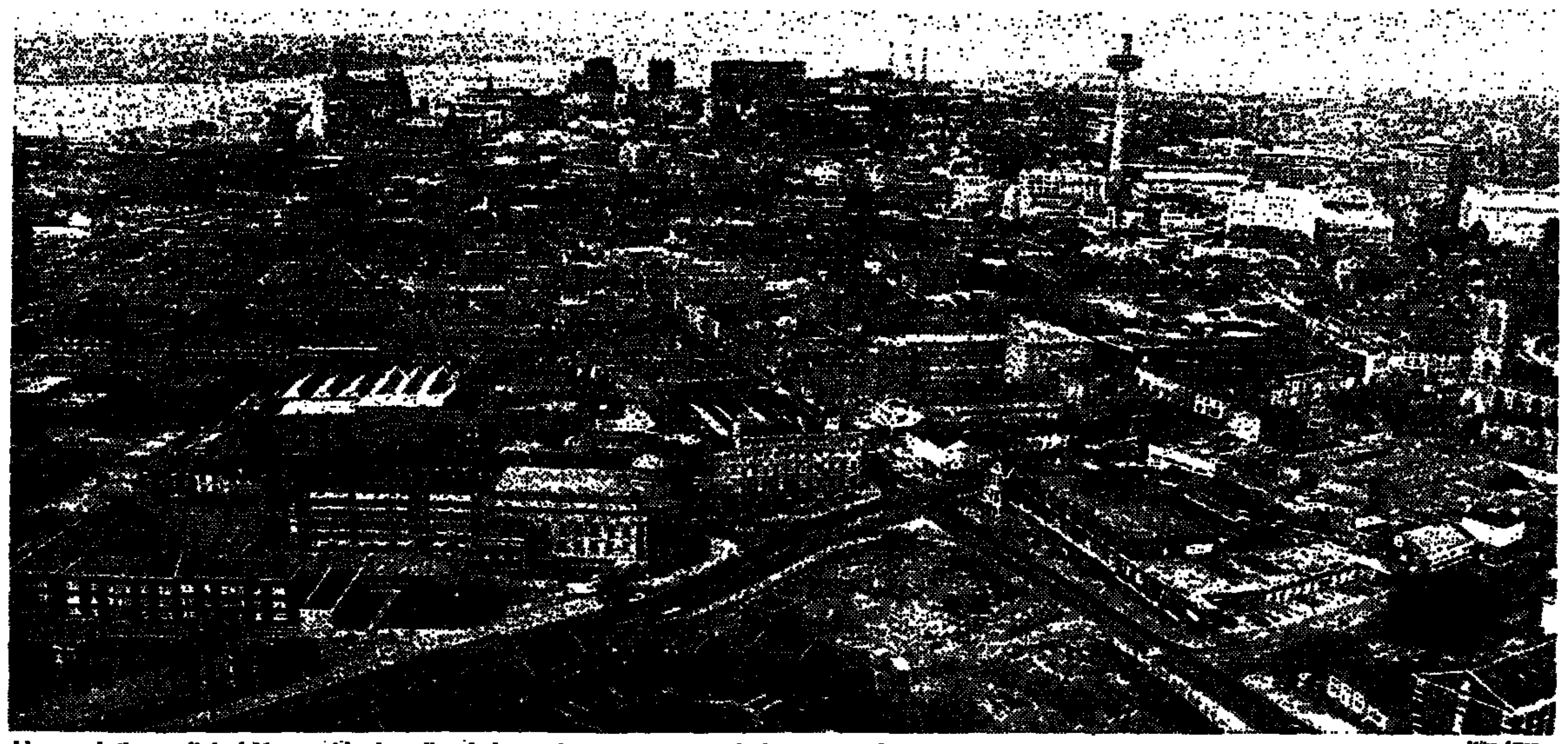
Western leaders responded cautiously yesterday to Mr Krenz's elevation to power. President George Bush said that it was too early to say if the change would mean more openness in East Germany, while the West German Chancellor, Helmuth Kohl, said that Mr Krenz would be judged by whether he brought in reforms or merely defended the Communists' hold on power.

Mr Honecker, who was highly unpopular when he rose to power, gained a degree of popularity for launching an ambitious housing programme and lavish social benefits for the population. In recent years, however, resources were diverted into the construction of monumental buildings in East Berlin

SECTION III

FINANCIAL TIMES SURVEY

Merseyside provides one of Britain's worst cases of urban blight. One in five men is still out of work as it struggles to rebuild its economy and recover from damaging political warfare. Can it be trusted with investment? Ian Hamilton Fazey reports.



Liverpool, the capital of Merseyside: in spite of changed attitudes, the city's image remains poor

Mike Arron

CONTENTS

Photography: Mike Arron and Ian Hamilton Fazey

Editorial production: Roy Terry

MERSEYSIDE
in the Thatcher decade

A case still to prove

IS IT SAFE? After a decade of turmoil and political warfare, this is the one question every potential inward investor in the world wants answered *about Merseyside and the city* of Liverpool, its heart.

For economic and structural reasons beyond its control, Merseyside began the Thatcher *decade on the slide. Atlantic* trade was dwindling, shipping technology had shifted to bulk or containerised cargoes, and the docks were modernising, *shedding thousands of* unskilled jobs directly and larger numbers associated with them.

From the 1950s, grants from successive governments had *encouraged branch factories to* replace lost work, but these had no local loyalty from employers or workforce.

The area's labour relations image was poor. Joblessness rose as branch factories closed. Social tensions heightened, erupting in the Toxteth riots of 1981. Business confidence evaporated, recession deepened, with 26 per cent of Merseyside men still unemployed in 1987.

Worsening political chaos between 1983 and 1987 damaged the image further, as did the riotous behaviour of Liverpool football fans in 1985, which left 39 Italian fans dead *in a crush when a wall col*lapsed at the European Cup Final in Brussels.

For much of the Thatcher decade *Liverpool's* Labour *party was manipulated by the* Militant Tendency – a sectarian, Trotskyite grouping obsessed by class *warfare*, which played on the socialist *fundamentalism* of many *non*-Militant idealists in the party.

In power, Labour deliberately confronted the Government over local public spending, *precipitating a series of* budget crises which brought the city to the brink of bankruptcy at least twice.

By 1985-86, Liverpool was at *the nadir of public esteem* throughout most of the rest of Britain. Industrial land was unmarketable.

Merseyside as a whole was tarred with its image, even though the city was only one third of the 1.5m-strong county and badly split.

By 1987 a nettled Government had secured the disqualification of 47 Labour councillors. A damaged national Labour Party investigated its Liverpool activists, wound up their organisation and expelled the Militant ringleaders.

One piece of luck was that Mr Keva Coombes, a well-regarded solicitor and former leader of Merseyside county council, failed to win a Conservative-held marginal seat at the 1987 general election: he became available to lead Liverpool city council.

Backed by Mr Neil Kinnock, *he set* about persuading Labour from its local isolationism, eventually – this year – joining the board of the formerly hated Merseyside Devel*opment Corporation*, the agency for regeneration.

Coincidentally, an influx of private sector and other leaders arrived when Liverpool was at or near rock bottom. They have injected new vigour into Merseyside's business leadership.

Mr Geoffrey Piper, the new head of *Deloitte Haskins &* Sells, founded Boom, which stands for what it tries to promote – Business Opportunities on Merseyside.

Mr Brian Thaxter shook up Barclays, the region's biggest bank. Professor Graeme Davies, Liverpool University's new vice-chancellor, suddenly made the institution relevant to its local community.

Mr Michael Parkinson, director of the university's Centre for Urban Studies, says: "People were shocked by the events of the early to mid-1980s. The political and economic class of business leaders just did not play much part in this city. There were too many branch factories and a lack of entrepreneurs.

"The new people were not involved and exhausted by the conflicts of the earlier 1980s. I believe that things like leadership and vision are very important. This proactive leadership class is necessary, if not essential, for regeneration."

Mr James Fitzpatrick, former head of Mersey Docks and now chairman of Liverpool Health Authority, echoes this: "We needed to replace the old brainpower of port and ship-owners who have gone now. Now we must stop analysing and draw up a blueprint for action. We don't want problems, but solutions."

Mr Parkinson says that Merseyside now has a very different political feel. "The previous approach was to look outside for help, for external cash transfers. There has to come a point when you start helping yourself before asking others to come in from outside and help you."

One important pointer to changed attitudes is that the council has commissioned Peat Marwick McLintock to advise on city centre regeneration and how to make a partnership with the private sector work.

Mr Tim Johnson, the Peats partner in charge, says: "Anything that happens needs to have the city at its heart. Liverpool city centre is the capital of Merseyside.

"Population loss needs to be stemmed. A city is more than its economy. We need to find ways to get people to live in the city and to try and stop some of the flight from Liverpool. The outflow is now 6,700 people a year."

> **'We need to find ways to get people to live in Liverpool'**

Mr Johnson sees the positives for the city as its low cost base, its pool of labour and the availability of sites and land. But he says the image remains poor, with outsiders hearing a confusion of messages.

"Everyone gets set to make the right noises and then there is a setback," he says. "There are some fragile attitudes in the private sector. They read a setback as risk," says Mr Johnson.

This year's big setback was the last-ditch fight of Liverpool's dockers to strike against abolition by Parliament of the National Dock Labour Scheme. They were first out and last back, demanding a national solidarity most of Britain's other dockers refused to give.

Mr David Bradley, the new head of the Government's Merseyside Task Force – which co-ordinates the local work of all civil servants and controls urban funding – says there is some such setback every six weeks when an element of discord emerges.

The closure of Birds Eye in Kirkby – allegedly because of worker cussedness – is another example. Merseyside suffers from setbacks being expected, so that they confirm prejudice.

Mr George Alcock, chairman of the chamber of commerce, says the region's propensity for self-denigrating loquaciousness is as damaging as anything. "I sometimes think we should give our taxi drivers £5 a day to drive visitors around in silence," he says.

In the Town Hall, the change *in attitudes is exemplified by* Mr Alan Chape, the former *planning officer who is now* assistant chief executive and charged with building bridges to both the Government and private sector.

He says: "Our biggest problem is our image within the UK and getting people just to come here and look so they can discover things are very different from what they expected.

"We are beginning to rebuild confidence. We need a better relationship between the private and public sectors and are working towards it. But we have to move forward in an incremental way."

Mr Chape has been working closely with Mr Bradley to exploit the advantage of the Task Force, a body unique in Britain set up in 1981 by Mr Michael Heseltine, then Environment Secretary, to cut red tape and channel resources into Merseyside faster.

The Government reviewed the Task Force last year but bolstered it in the end when Mr Bradley, an under-secretary, was appointed to head it. This in itself was important for confidence, since it confirmed a Government willingness for special treatment.

There is worry that some of the disqualified councillors will try to return to politics when their five-year disqualifications are up, but Mr Coombes thinks things will have moved too far by then for Merseyside's new course to be altered.

The market will decide how far. Mr Johnson says: "We have spoken to 40 major developers. Of these, 30 say they will now consider Liverpool. They are only holding back for profit and yield reasons, not because of worries about the political situation.

"Is the city council all right to get into bed with? Our own study is a strong indication of *their earnestness.* Developers want strategy fixed with the city council. They want assurances on planning and stability. They can get these now."

Mr Parkinson says: "Part of Liverpool's problem has been instability. We now have stability. We lacked leadership in the business community. Now it's coming because people really believe they are going to be in business here for a long time."

So is it safe to invest in Merseyside or even move there? Mr Piper thinks it is and says the proof is in places like the Wavertree Technology Park, Mr Heseltine's most tangible achievement.

It can also be found among 300 or so privately-owned, small or medium-sized businesses, which Mr Robert Toomey of Investors in Industry says are making good profits, have no labour problems, and are soaking up development capital for growth.

But Mr Toomey also says they keep a low profile, lest publicity makes them targets for union activists or the image problems of Merseyside rock their customers' confidence.

Merseyside can afford neither such achievements to go unsung nor the reasons for their suppression. The birth of *the gestating partnership of* public and private sectors needs to be induced as soon as possible, for the only thing that will convince the world is *proof, more proof and yet more* of it.

Ian Hamilton Fazey discusses the economy

Crucial issue is training

WITH 19.3 per cent of Merseyside men unemployed in August, the best that could be said about the situation is that it has been very much worse.

Two years ago, the figure was 26 per cent. In September last year it was 23 per cent; last February it was still 21.5 per cent, so there appears to have been a slight improvement in the rate of improvement.

Women fare better, with a latest rate of 7.9 per cent, compared with 10.5 per cent a year ago. Women also contributed to the perceptions the Government would rather people had: they pulled down the overall rate to 14.2 per cent in August.

There were 87,773 claimants in August. This was 20,000 fewer than last September and although it is less than the same month's figure in Greater Manchester – 102,365 – the latter conurbation has 2.5m people to spread the woe among, compared with under 1.5m on Merseyside.

This concentration means the problem is not easily disguised. Merseyside jobless ness remains worst in terms of size and density than anywhere else in Britain.

Comparison with the rest of the north-west emphasises the point. Cumbria's overall rate is best at 5.9 per cent, followed by Cheshire 6.8 per cent, Lancashire 7.4 per cent and Greater Manchester 9.1 per cent.

Merseyside's problem thus appears intractable in the short term. Moreover, it is not spread evenly throughout the population, being confined largely to unskilled men without the skills or natural abilities to fend for themselves.

There is plenty of work on Merseyside – but for the qualified or otherwise skilled white-collar middle classes. The unemployment rate in the white-collar sector is thought to be under 5 per cent, or virtually full employment.

Merseyside chamber of commerce, supported by Royal Insurance, Littlewoods, the Equal Opportunities Commission and several trades unions is even planning two nurseries/crèches for central Liverpool to hang on to skilled female office workers – and this in a city where one in five men are jobless.

Mr Michael Parkinson, director of Liverpool University's centre for urban studies, says: "There are long term structural problems, worsened by uneven development. Investment in public infrastructure would soak up the unemployed, but you also need a package of measures, such as more small firms, and longer term jobs for the semi-skilled and unskilled. You must attract growth opportunities."

Mr James Fitzpatrick was chief executive of Mersey Docks and Harbour Company until 1985 and led the restructuring of the dock labour force which helped create today's pool of unskilled, almost unemployable men.

He says: "Not enough was done about retraining. People picked up large sums of money but could not match themselves to any opportunities there were. The money has gone as many of them failed at what they tried to do.

"My generation of people running Merseyside did not do enough. We saw 11,000 men leave the docks, many of them with 10 years or more of working life left in them. The job of employers like me was survival, ensuring that we would have a port at all at the end of the century. We didn't retrain. Not everyone was retrainable, but we didn't even think about it. It was someone else's responsibility. We needed a Training and Enterprise Council 20 years ago."

Mr Parkinson says: "We got down to a very low base with structural unemployment. But the bases which have remained are profitable, if not job-creating. You are getting a small renaissance in bits of the economy but there are many pockets which have been untouched by this."

He believes Merseyside's hopes rest on restructuring its economy while developing a long-term training and retraining strategy.

"Cars, chemicals and insurance have all reinvested and are profitable. There is a much more positive air. There is clearly some growth in the financial services sector. It doesn't mean we are catching up with Manchester, but we are doing better than in 1979," Mr Parkinson says.

"The high technology success is Wavertree Technology Park. Managed work space and offices there are full. There is a demand for that kind of operation, so you are getting designers, computer software consultants and other professionals moving in. It is small but significant.

"Tourism is another growth area. Far better to have it than not. It sucks up people who are unskilled. The awareness of opportunities is also increasing. Coming areas for growth are heritage, a rock music museum, TV and media centres and the arts and culture industries."

Mr David Bradley, head of the Government's Liverpool Task Force, says industry strategies which are based on tourism, the arts, and making Merseyside a media centre, are crucial. Mr Tim Johnson, of Peat Marwick McLintock, says this makes a wider sense than immediate jobs because the arts and cultural industries play a crucial role in promoting quality of life for inward investors who will bring jobs with them.

Mr Alan Chape, assistant chief executive of Liverpool City Council, agrees. "We have undersold what we have got," he says. "It's not just places like the museums and the Tate. We have underplayed the general level of artistic capability and creativity in this city.

"We can match anywhere for creativity in the artistic field. This can and should be part of our leading edge. We are already approaching a critical mass. With the right training we will have a pool of labour which others will not have.

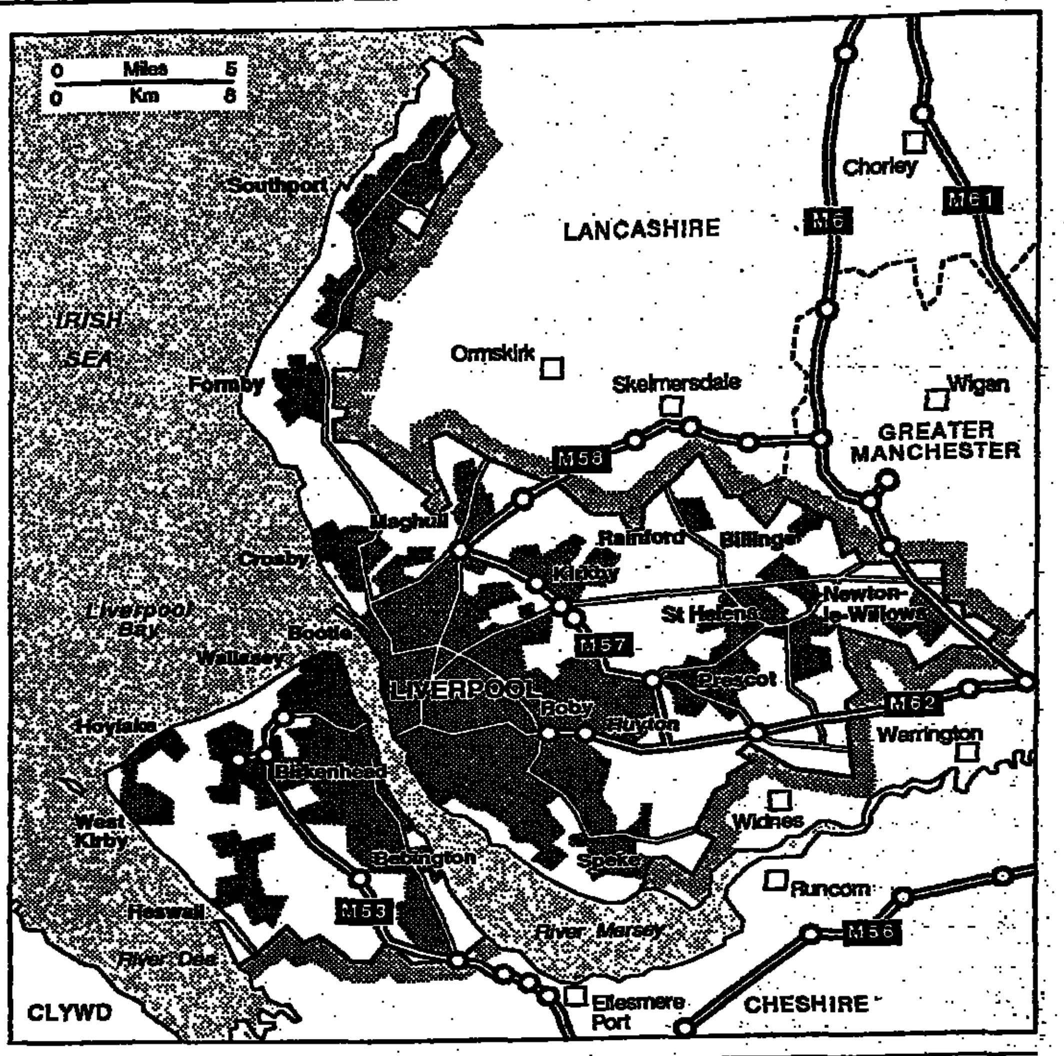
"The question then is what training packages should we devise?"

Mr Chape sees tourism as one area of growth and decentralisation of the civil service as another, the latter aided by Liverpool's low cost base, despite its being still a major financial and commercial centre. "Wavertree Technology Park has proved that if you create the right environment you can actually generate new high technology activity and attract major inward investment, such as Barclaycard. Wavertree Technology Park has also helped to retain people in the city," he says.

However, the problem is time. Even if large projects go ahead, such as the development of Liverpool Airport, they will provide only short-term relief to many of Merseyside's large pool of unskilled jobless.

And while their availability as a labour pool is an asset, the embryonic nature of the new Training and Enterprise Councils offers no guarantees yet of making more of the jobless more widely employable – and Mr Fitzpatrick points to an embarrassing shortage of people willing to get involved in them anyway.

Mr Johnson adds: "The positives for Merseyside are its low cost base, its pool of labour and the availability of sites and land. The missing ingredient is training." How to get to grips with this looks like being one of the crucial issues faced by Merseyside in the 1990s.



POLITICS

Militant shadow lingers

THE Mersey Marathon may seem to have no connection with politics, but an incident last month after this year's footrace sent a frisson of alarm through Merseyside's business community.

Liverpool City Council had guaranteed the future of the race, now the second most important in Britain after the London Marathon and this year's trial for the Commonwealth Games.

In the civic hospitality tent afterwards, Mr Derek Hatton, the disqualified former deputy leader of the city council and the world's best known mouthpiece of the left-wing Militant Tendency, dominated proceedings and held court.

As Mr James Fitzpatrick, chairman of Liverpool Health Authority and one of the elder statesmen of Merseyside's business community, puts it: "The people who were disqualified have not gone away. What is going to happen when their disqualifications are up in 1992?"

The confrontation between the council and the second Thatcher Government was one of the political landmarks of the Thatcher decade. According to Mr Keith Robinson, director of Merseyside chamber of commerce, it did more damage to the area in three years than three decades of poor labour relations in the car industry.

Labour, which had been well-infiltrated by Militant supporters, won power in Liverpool in 1983 and embarked immediately on high-cost, high-risk urban regeneration strategy.

It was to be municipal-led and based spending more on council housing. The council kept setting budgets beyond its resources, trying to force the Government into giving it more money.

The Government resisted and the city lurched on from year to year on the brink of bankruptcy.

Last-minute deals with Swiss and Japanese banks allowed two great escapes from financial collapse.

At one stage Mr Hatton, whose natural persuasiveness and charisma made him a brilliant manipulator of the broadcast media, scored a telling propaganda victory by claiming a big concession ahead of an agreed announcement of a small increase in urban funding.

Mr Patrick Jenkin, the hapless Environment Secretary of the day, was accused of paying danegeld to buy off the Liverpool Militants.

Ultimately, it was to cost him his job, while strengthening the resolve of a humiliated Government to sort out the city council.

Meanwhile, the Labour Party was counting the cost of the damage the Militants were doing to its chances nationally. Four years ago at the Labour Party conference, Mr Neil Kinnock, blasted Liverpool's leaders for their policies.

By then they were trying to sack 32,000 council employees so as to avoid running out of money.

It was enough to trap the Militants and other Labour councillors on the council in a Government-Opposition pincer movement.

The Government encouraged the district auditor, the watchdog on council spending, to look hard at Liverpool's finances for wrongdoing.

Meanwhile, Labour started investigating the influence of the already proscribed Militant Tendency on the local party.

'Under Keva Coombes there has been a considerable turnaround'

One result was that Mr Hatton, together with Mr Tony Mulhearn, his closest political associate, and four other activists, were expelled from the Labour Party.

The other was the disqualification from office for five years and the surcharging of 47 councillors by the district auditor. They were held personally liable for £106,000 of interest lost because they were deliberately late setting a rate.

Appeals to the House of Lords failed and they lost office early in 1987 but if anyone hoped that the Liberals – the largest opposition party on the council – would be confirmed in office, they misjudged the Liverpool electorate.

The view of national Liberal leaders is that their Liverpool colleagues blew it. In six weeks of caretaker office before elections could be held, they steamed ahead as though they already had a mandate, instead of following national urgings of restraint. An annoyed electorate returned a new wave of Labour councillors to power.

Who would lead them was solved by the electors of the Lancashire marginal seat of Hyndburn in the 1987 general election. They rejected Mr Keva Coombes, a former leader of Merseyside county council, who had become a Liverpool councillor through a by-election and was being encouraged by Mr Kinnock to sort out the city. It meant he was free to lead Liverpool, which he has done with great skill.

Mr Robinson says: "Under Keva there has been a considerable turnaround. There is a new sense of realism on the city council. There is a growing together now of the chamber of commerce with the politicians at the Town Hall.

"There's no holding back in our dealings; we talk straight with each other. We have sunk our differences. We have formed Merseyside united. You cannot undo three years of the Militants overnight and perceptions in the south-east and the rest of Britain remain poor. But the results are there to see, with Keva joining the board of the Merseyside Development Corporation, which Labour had shunned before.

Hatton in his heyday

Coombes: "I am realistic"

"The only worry of some of our members is about what will happen when the disqualifications are up. Will the former councillors return? Will they try to turn the clock back?"

Mr Michael Parkinson, director of Liverpool University's centre for urban studies and author of several definitive studies of Liverpool's problems, has no such worries.

"There is a different political feel to the place. There is a different city council, a different media approach. The problems are seen differently and more clearly," he says.

"The previous approach was to look outside for help, for external cash transfers. There has to come a point when you start helping yourself before asking others to come in from outside and help you. This emerges when things are starting to pick up, as they have been lately.

"I get lots of questions from outsiders but people don't ask about the Militants much any more. It seems to me a dead issue."

Mr Coombes himself shows his usual political aplomb. He says: "I am realistic. Of the most celebrated people from the past, two are not even members of the Labour Party any longer, so they won't be our candidates again.

"Some of the other disqualified councillors have decided to stay out of public life but some, like John Hamilton, the former leader, will want to come back. He is no different from myself and many others, so what is there to fear? But whoever wants to return, there is now no going back on our policies."

But what about the incident after the marathon? "Derek Hatton has a public relations company and he sees himself organising the marathon's long-term sponsorship. The money goes to Alder Hey Children's Hospital; who am I to say that he shouldn't do such work for such a cause?" Mr Coombes says.

There, of course, other aspects to Merseyside's politics. There are four other boroughs.

Liverpool, however, sets Merseyside's overall political tone. By common consent, the self-effacing Mr Coombes is emerging as a remarkable civic leader.

Ian Hamilton Fazey

KEY FACTS

LIVERPOOL - heart of Merseyside

DEMOGRAPHIC	
Urban area population (1981)	538,809
Catchment population 1988 (commuting area)	1,024,176
Catchment population growth 1981-88	6.1%
Population within 5 miles of centre (1981)	703,176
Population within 10 miles of centre (1981)	1,458,255
Age structure*	
0-4	7.8% (6%)
5-15	20.6% (16.3%
16-24	19.1% (14.1%)
25-44	24.1% (26.3%)
45-pensionable age	19.4% (19.7%)
Over pensionable age	9.0% (17.7%)
CAR OWNERSHIP (1981)*	
Households with no car	61.3% (39.5%)
Households with one car	32.0% (45.1%)
Households with two cars	6.6% (15.5%)
Cars per household	0.46% (0.78%)
HOUSEHOLD TENURE (1981)*	
Owner occupied	40.3% (55.7%)
Rented from council or new town	40.9% (31.2%)
Private rented	12.7% (8.6%)
Other	6.0% (4.2%)
ECONOMY*	
Unemployment (travel-to-work area) Apr 89 — 15.2% (7.4%); May 88 — 17.9% (9.8%)	
Employment by sector (1984)	
Manufacturing industries	23.5% (25.6%)
High-tech industries	15.6% (14.6%)
Primary industries	1.5% (4.6%)
Construction	4.5% (4.9%)
Distribution, hotels & catering	18.8% (20.1%)
Retail distribution	10.4% (9.7%)
Transport & communication	8.5% (6.4%)
Banking, finance & business services	11.0% (9.5%)
Other services	32.3% (28.9%)
PROPERTY*	
Residential	
Average house price, mean for 1988	£28,000 (£59,200)
Regional average house price	£35,700
Commercial	
Rate in the £	1988/89 — 322.36 (1987/88 — 322.85)
Guide to prime rents	
Offices	Apr 1989 — £7.75 psf (Apr 1986 — £5.50 psf)
Retail	Apr 1989 — £140 psf (Sep 1987 — £125 psf)
Industrial	May 1989 — £2.25 psf (Sep 1986 — £1.50 psf)
COMMUNICATIONS	
Road	About 207 miles from London
Rail	Lime Street to London Euston 2hr 35min
Air	Liverpool Airport

*Great Britain average in parenthesis

Source: Property Intelligence Ltd (Tel 01-839 7684)

Ian Hamilton Fazey evaluates the impact of leading immigrants

The Class of '86 settles down

IN 1985 Mr Geoffrey Piper, who had spent 13 years building the operations of Deloitte, Haskins & Sells, the accountants, in Jersey, the largest Channel Islands offshore financial centre, was waiting for promotion.

Whe the offer came, he went home to tell Sue, his wife. He recalls: "'It's in Liverpool,' I said. I shall never forget the look on her face. But we needed a change. Her attitude was, 'Well, I think we ought to at least have a look'."

They took three or four months to make up their minds. "My impression was that this was a city going through an awful time but that other British cities had gone through bad times but they solved their own problems," Mr Piper says. "After all, this was not Beirut."

There was no problem for the Pipers' three teenage daughters. Offshore financial centres are desert islands in terms of entertainment for teenagers. They saw nothing but good from the move.

Not that this cut much ice with those not involved. "When I said we were moving to Liverpool, friends in Jersey and London said that we must be mad," Mr Piper says.

There were several other outsiders in the same category whom he calls "The class of 86". They include Mr Robert Toomey, a Welsh-born venture capitalist with Investors in Industry (3i), who moved from the Manchester office to take charge in Liverpool.

Another was Mr Brian Thaxter, the incoming regional director of Barclays, the biggest bank on Merseyside, who shook up the organisation and increased its thrust and impact on local affairs dramatically.

Professor Graeme Davies did a similar thing at Liverpool University, making an impact from the moment he arrived as vice-chancellor.

Like the Pipers, they all arrived uncluttered by local history, ready to evaluate Liverpool not for its navel-contemplating uniqueness, but against other cities, such as Nottingham, where Mr Toomey had begun his career with Boots before moving to 3i, or Sheffield, where Professor Davies, a New Zealander, had seen another major city in decline and undergoing change.

Though born locally, Mr Tim Johnson, a partner with Peat Marwick McLintock, the accountants, looked set for a City career in the mid-1980s.

He had done a high profile secondment to the St Helens Trust to introduce the enterprise agency's ground-breaking business expansion syndicate. He then moved to London to write a report for the Government on the future of the Business Expansion Scheme generally.

"People in London thought I was mad to come back here," he says. "It was around the time of the Heysel Stadium disaster, in 1985, when Liverpool's image was mud all over the world. But the quality of life here is good. I live in a nice area but I'm only 20 minutes from the office."

Mr Piper says: "We didn't have a culture shock, but a culture surprise. In Jersey the theatre was amateur dramatics because you had to make your own entertainment. We kept sane by always having trip off the island written into our diaries. "To come to a place with a world-class orchestra, four splendid theatres, and half a dozen national museums and art galleries was wonderful."


Robert Toomey


Geoffrey Piper


Tim Johnson

Ironically, the Pipers and Toomeys clashed accidentally, double-gazumping each other to buy the house in Parkgate, Wirral, of Mr Nicholas Barber, chief executive of the Ocean group, who was moving to London. The Toomeys won. The Pipers consoled themselves by buying well in Willaston nearby. "Not all was sweetness and enlightenment. "The first stumbling block I came across was trying to persuade other senior managers to move here, too," Mr Piper says.

Deloittes is auditor to the Royal, Littlewoods, Plessey, Mersey Docks, Royal Liver, Charterhouse Tilney and Alsops. It employs 200 people, of whom 100 are auditors. Retirement meant there were senior jobs going.

"I was trailing jobs around our London office. I was saying that I had come up here and bought a house twice as big as theirs for half the price they paid for theirs in the south. It didn't make much impression. It was quite clear we had an image problem," Mr Piper recalls

He met Mr George Pragnell, head of Business in the Community's operation in the north-west, and officers of the Government's Merseyside Task Force. He decided to start his own bridge and image building by creating a promotional body called Boom – Business Opportunities On Merseyside.

Boom's approach has been to hype what is hypable to persuade potential inward investors to at least have a look at Merseyside, instead of crossing it off their lists out of hand.

Mr Piper even persuaded Mrs Thatcher to write the foreword to Booms's glossy brochure. The basic technique has been to bring groups of people in for short trips to see what there is and to meet successful people.

There has been a seminar at the Barbican and another will be held next year. Meanwhile, the university is to stage a conference and tour for its successful alumni in the hope that some of them will expand their businesses near their alma mater.

Boom's hype has irritated some on Merseyside, who worry that problems may be understated, leading to people being put off when they realise this.

Also, Mr Piper's irrepressible enthusiasm has discomfited some of the business old guard, who think him public school and pushy.

But Mr Keith Robinson, director of the chamber of commerce, says: "Geoffrey Piper is very useful because he deals with people outside Merseyside. He has credibility because he puts himself where his mouth is, and that's impressive."

Mr Piper defends his tactics: "It was better for me as a newcomer from outside to tell people down south that things were not as they thought. The hype had strong ingredients. It deliberately set out to surprise people. Once you have got people playing ludo with you, you can then introduce them to other games and let them see that there are some snakes to slide down, as well as ladders to climb.

"If you get people just to take an interest, then a quarter of the battle is done.

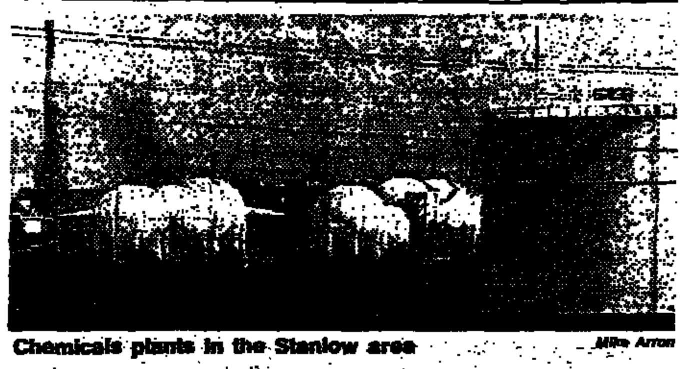
"As chartered accountants we had an entree into boardrooms and close contact with other advisers. People are coming to believe that there is good value here and a lot of undervalued things around.

"Around 1985 many people just wrote us off. I am not claiming that we are better as a place for investment but I am claiming that there is no reason now why people should leave us out of the reckoning."

He solved his own recruitment problems when a senior audit partner moved from Newcastle and another rising accountant relocated from Deloittes in Glasgow. Neither would have looked at Merseyside three years ago.

Deloittes has accepted his arguments about Merseyside's lower cost base by moving its national mainframe computer there at a cost of £500,000. He is selling careers hard, stressing the standard and quality of life that goes with not having to cope with south-east mortgages.

"My wife said to me the other day, 'I do hope we never leave Liverpool'. That's how good we have found it," he says. Mr Piper himself has become his own message.


Chemicals plants in the Stanlow area — Mike Arron

CHEMICALS INDUSTRY

Modest uplift in fortunes

THE chemicals industry has been an important part of the Merseyside economy for more than 150 years. It is still one of the most concentrated sites for chemicals manufacturing in Britain.

Although the outlook for the sector on Merseyside looked far from good in the early 1980s as a result of the general economic recession, the chemicals industry in the region is now undergoing a modest renaissance.

The main reason for the uplift in the industry's fortunes on Merseyside has been, as elsewhere in the chemicals sector, a swing away from basic, low-value products towards more specialised materials that command better prices and are less prone to cyclical changes in demand.

This trend can be seen in most of the chemicals groups around the Merseyside estuary. Many can trace their roots to the early part of last century when one of the oldest branches of the modern chemicals business started in the form of soap-making.

Lever Brothers (later merged into the Anglo-Dutch Unilever) was prominent in the region, as was Runcorn Soap & Alkali. This was eventually amalgamated into United Alkali – one of the four companies which merged in 1926 to form Imperial Chemical Industries.

The Mersey acted as a conduit for exports of finished products

Today, ICI's production sites in and around Runcorn have a workforce of about 4,000, making the company one of the biggest employers in the area. The Runcorn operations have diversified into thousands of different chemicals although most are based on well-established inorganic chemicals including chlorine, sodium hydroxide and sulphuric acid.

Unilever, too, remains a major employer, with several factories, most notably at Port Sunlight on the Wirral. Warrington-based Crosfield Chemicals, part of Unilever, illustrates some of the changes over the past 150 years.

The company was set up in Warrington in 1815 as a soapmaker, one of many established in this period in the Merseyside region. Behind this broad trend are some plain facts of geography.

The Cheshire salt fields and the coal fields of Lancashire provided raw materials for the soap-making process. The River Mersey acted as a conduit for exports of finished products, and also for trade into Britain of any fatty vegetable oils needed to supplement the supplies of tallow (animal fat) which was another essential raw material.

Crosfield (which became part of Lever Brothers in 1920) concentrated on soaps and related materials for many years before diversifying over the past 25 years into a range of more specialist products.

Today, the company employs 750 people on its original site in Warrington and has established an international reputation, in particular, in silicate materials. These substances, based on sodium silicate, are used in a variety of applications including catalysis, chromatography instrumentation, papermaking and packaging films. Some of these areas are relatively fast growing and the materials command high prices.

Unilever and ICI are just two of the internationally known chemicals groups on Merseyside. Others include Albright & Wilson (part of the US Tenneco group), BOC and Shell – the last of which has a big oil refinery and chemicals plant at Stanlow on the Wirral. Stanlow's chemicals operations have recently been given a boost by the start of construction of a £90m pipeline linking Shell's chemical factories in north-west England with a big ethylene plant which it runs in Fife in Scotland in a joint venture with Exxon.

The pipe, due to be finished next year, will safeguard supplies of ethylene, an important raw material for many chemicals, for the Stanlow site. It will also make possible increases in output from Stanlow of some of these ethylene-based chemicals, notably so-called higher olefines which are used in relatively high-value chemicals-based products such as lubricating oils and detergents.

Other Merseyside companies accenting the more specialised side to chemicals include:

- International Biosynthetics, part of the Shell group, which is based in Widnes and is spending £30m over two years on investing in new processes. The work is aimed at making possible the manufacture of new, biology-based materials which can be sold to the pharmaceuticals and agrochemicals industries.
- Laporte, one of Britain's biggest chemicals companies, has two sites in the area, at Warrington and Widnes, which together employ about 1,000 people. The Warrington site houses Britain's only large factory to make hydrogen peroxide, which is seeing growing use as a bleaching agent in areas such as paper and textiles production. Hydrogen peroxide, which Laporte makes in a joint venture with Solvay, a big Belgium chemicals company, is seen as a more preferable bleaching agent to conventional chlorine compounds because it appears to be less damaging environmentally.
- Schering, a leading West German drugs and agrochemicals company, has spent £15m in recent years on a new plant for crop-protection compounds as further evidence of a swing towards higher-value, research-based materials.

Gordon Rintoul, director of a chemicals-industry museum called Catalyst which has recently opened in Widnes, is perhaps one of the best placed people to judge what is happening to the chemicals business in the region. He notes that the companies in the area are showing an increasing willingness to come to grips with the problems of coping with environmental problems related to emissions of unpleasant or toxic materials and are "generally optimistic" about the future.

"There was a shake-out in the industry in the early 1980s as a result of the recession and there seems to be a feeling that after the relative boom of the past few years things could start slowing down again. But most companies seem to think they are better equipped now to cope with any problems in demand," says Mr Rintoul.

Peter Marsh

ST HELENS

Small encouragement

IN SPITE of its Merseyside postal address, St Helens retains many of its deep Lancastrian roots. This is particularly true of its economy where the dependence on a handful of large employers is shared with many other Lancashire towns.

Glass rather than textiles is the dominant industry, but the effect is the same: a workforce lacking the broad range of skills to entice new, modern industries.

In the past decade more than 20,000 jobs have been lost in an area with a workforce of around 60,000. It says much for the borough's resilience that unemployment has been cut to just over 10 per cent.

The tortuous recovery has been led by a Labour council which has rejected confrontational politics for a pragmatic approach, particularly towards the private sector.

A crucial strategy has been to encourage self-employment and hence diversify the economic base. The glass industry with Pilkington and United Glass still employs around 20 per cent of the workforce, but the growth of small business is strong.

The Community of St Helens Trust, the country's first enterprise trust, has also been instrumental in creating a climate in which more than 800 new companies have started in the past decade.

Mr Ron Halford, director, says there has been a discernible change in the nature of inquiries received. "We used to deal mostly with the unemployed, but we are now finding more people who have jobs and who want to set up on their own."

At present, further growth is being hindered by a shortage of industrial space. St Helens has more derelict land than any other Merseyside borough, but in spite of spending £750,000 a year on reclamation, is unable to meet demand. In each of the past three years 1m square feet of industrial space has been let.

The tortuous recovery has been led by a Labour council with a pragmatic approach, particularly towards the private sector

At the former Bold Colliery a partnership between the council, St Helens Trust, the Chamber of Commerce and British Coal Enterprise has created 45 new industrial units. All have been taken.

In 1987 St Helens was being considered as a site for one of the third generation urban development corporations. To avert what was seen as unnecessary central government intervention the council began to explore its own regeneration initiative. The platform was to be Ravenhead Renaissance, a partnership which grew out of a town centre planning dispute between the council and the private sector.

Both Pilkington and British Gas had put forward plans for town centre retail parks which the council refused. An impasse was reached. The developers knew that any appeals stood a good chance of success, but it was clear that the town could not support both developments.

Casco, urban renewal consultants, were called in to untangle the mess and persuaded both sides to consider a partnership with a much wider brief than the disputed site.

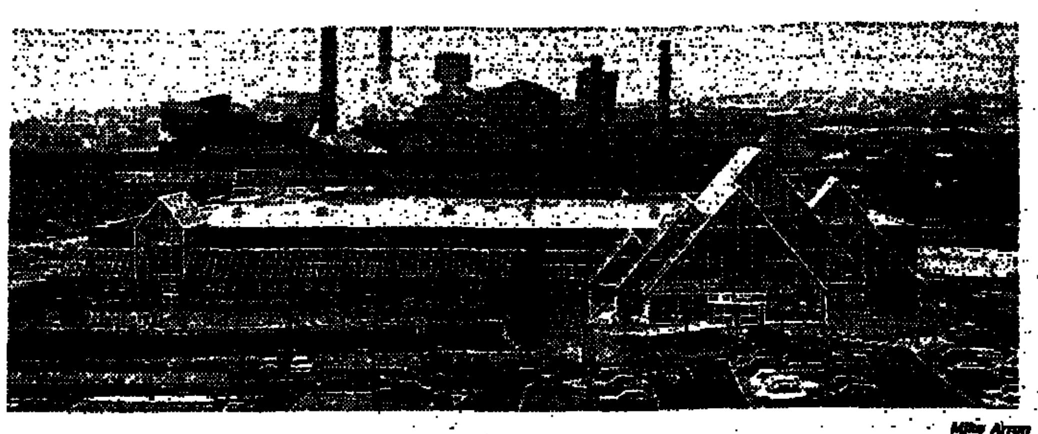
The initiative was strongly supported by the Merseyside Task Force and in March last year Ravenhead was officially launched. Mr Andrew Russell, of Casco, became chief executive and Professor Graham Ashworth was appointed chairman.

The three founding partners were quickly joined by Milverney Properties, Ibstock and United Glass, and later by Metestates, part of MEPC, the owner of the town's major shopping centres.

The main effort is concentrated on the southern edge of the town and already around £100m of development is committed or underway. Pilkington have completed a £7.5m food superstore and is developing the town's first four star hotel. Two business parks are planned and the town centre is to be refurbished.

Many of the schemes are awaiting city grants and the initial leverage of public/private sector finance is expected to be around 1:3.

Initial progress has been sufficiently impressive to gain the attention of central government. Mr Andrew Russell, a former member of Michael



New Safeway superstore in St Helens — Mike Arron

Heseltine's Urban Development Grant Appraisal Unit, says ministers are becoming increasingly curious about the St Helens experiment.

He also argues that the existence of Ravenhead has served to pump prime a wider regeneration. He cites Pilkington's decision to build its new £70m manufacturing plant within the Borough.

"I can't say that Pilkington chose to build here simply because of Ravenhead, but I think if they had believed the town was not doing anything to help itself then they would have gone elsewhere."

Perhaps the important result of the initiative has been to persuade the Government to meet long-standing pressure for a new link road to the M62.

The road is a fundamental requirement of the borough's long-term economic health. As Mr Russell points out people pass St Helens all the time, but few can be bothered turning off the motorway to find it.

The new link will also serve to release a number of greenfield sites for industrial development and allow the poorly designed town centre to be opened up.

The success of Ravenhead has been curiously underplayed in a borough which apart from an excellent Rugby League team has little to interest the media.

This lack of a cohesive image does have serious drawbacks. St Helens has an exceptionally rich industrial heritage and could, and indeed does, dispute Manchester's claim to the first railway and the first canal. Stevenson's Rocket was first tested within the borough.

While nearby towns such as Wigan have capitalised on a less illustrious heritage, St Helens appears to have missed the tourism bandwagon, though a new strategy is now in place.

Mr Graham White, the council's economic development officer, says the strategy is not based solely around industrial heritage, but is designed for a broader appeal.

"We do regard tourism as important and we have seen a lot happening recently, particularly in hotel development. Our main aim is simply to demonstrate that the town is worth visiting," he said.

Martin Regan

SEFTON

In search of an identity

WHEN the Boundary Commission announced it was to take a new look at some of the boundaries established in 1974 a substantial minority of Sefton's population put pen to paper. Around 10,000 letters from the borough flooded into the Commission, most indicating the desire to withdraw from Merseyside. Fifteen years after birth, Sefton's legitimacy is still under fierce attack.

Sefton, a narrow coastal strip extending from the seaside resort of Southport in the north, through the stockbroking belts of Formby and Crosby to Bootle in the south, is an area of considerable economic and social diversity.

It contains some of the finest flatland and coastal countryside in Europe, 10 golf courses, Aintree race course, home of the Grand National, and the UK's largest Freeport at Seaforth. At the same time, Bootle has serious social and economic problems. In the ward of Linacre, male unemployment hovers stubbornly around 40 per cent and drug abuse is becoming increasingly common.

However, the problems of south Sefton are seen as less entrenched than similar problem areas in Liverpool. Local authority housing remains basically sound and the number of jobs within Bootle still exceeds its working population. It is an important office and administration area.

The borough's diversity is reflected in its politics. The council is hung, with Labour, the Conservatives and Democrats all vying for control. Its three Westminster seats are equally divided.

In many cases such a political structure could prove problematic, but in Sefton's case it appears to work well. The council maintains two town halls at Southport and Bootle and has managed to adopt an interventionist approach to economic and social strategy while remaining one of the lowest rated boroughs in the north.

The approach to economic development has undergone rapid change, following a study by consultant Roger Tyms which suggested that a more central structure was required to handle the complex needs of the borough.

It contains some of the finest flatland and coastal countryside in Europe

Sefton benefits from eligibility for a wide range of grants. South Sefton has development area status and is part of the Inner Area Programme which enables authorities to draw up a three-year rolling investment programme. Schemes totalling £1.5m a year are now being undertaken under the IAP initiative. A small part of the docks is within the area covered by the Merseyside Development Corporation.

One of the key tasks facing the council, according to Peter Kuit, the council's special projects officer, is to extend the enterprise culture which exists in the north of the borough into the south.

"There is a strong spirit of enterprise in Southport where the numbers of self-employed are well above the national average, but in Bootle this is not the case. What we have is a north-south divide in reverse," Mr Kuit said.

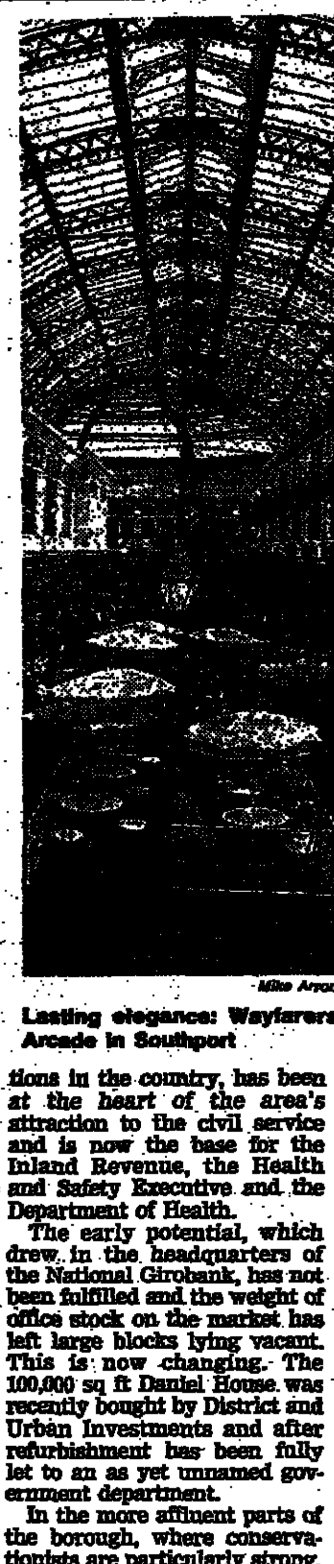
One of the council's main economic planks is the creation of the Sefton Business Park, involving the reclamation of the former Braby site at Aintree. the idea is to create a quality business park across 100 acres.

The 600-acre Freeport has not yet had the economic impact that was originally predicted, but its potential remains enormous and post-1992 it is expected to enjoy rapid growth. The Freeport has already attracted trade from more than 300 companies.

The Bootle Maritime Zone is another important area of economic activity. Lying near the Freeport, the zone is home for around 300 firms, including Kelloggs. It has suffered badly from poor environment and vandalism and the council has called in outside consultants to examine possible improvements.

The most intriguing strand of economic policy is the attempt to recapture Bootle's position as a sub-regional office centre.

The Stanley Precinct office quarter, one of the first purpose-designed office concentrations in the country, has been at the heart of the area's attraction to the civil service and is now the base for the Inland Revenue, the Health and Safety Executive and the Department of Health.



Lasting elegance: Wayfarers Arcade in Southport — Mike Arron

The early potential, which drew in the headquarters of the National Girobank, has not been fulfilled and the weight of office stock on the market has left large blocks lying vacant. This is now changing. The 100,000 sq ft Daniel House was recently bought by District and Urban Investments and after refurbishment has been fully let to an as yet unnamed government department.

In the more affluent parts of the borough, where conservationists are particularly strong, there is a shortage of business and commercial space. The demand for office space within Waterloo and Crosby is considerable, but there is a total stock of just 200,000 sq ft.

A recent study of land and property requirements within the north of the borough also highlighted the need for a new business park to serve Formby and Southport. Despite its rather gentle image, the area has a strong local business community. Southport is the base for Michael Keen's mini-conglomerate, Corton Beach.

Mason Owen, property consultants, reported that such a park, in addition to meeting local needs could also attract relocations from the rest of the UK. Poor communications to the main regional motorway network are the main hurdle to any substantial development, though a new Ormskirk bypass is planned.

Tourism is likely to play an increasingly central role in the council's search for economic growth. Wildlife and fauna in the borough attracts national interest and large parts of the 22-mile coastline between the Mersey and the Ribble are to be opened up to ramblers.

One of the tasks facing the council is to extend the enterprise culture

Southport is the fulcrum of the tourism strategy. After a long and often painful decline, the resort is beginning to attract visitors again. Its main attraction is its upmarket shopping facilities, especially along the Lord Street Promenade.

"We are not aiming to be another Blackpool, the kiss-me-quick hat is not our style. Southport has its own identity and we need to build on it," said Mr Kuit.

The lack of a Sefton identity is accepted by council officers as inevitable, but there is a growing pride at the way in which such a seemingly random arrangement of parishes and districts has worked.

"Where we are successful we are very successful and where we have problems they are on a manageable scale. There are no vast seas of dereliction and we can actually get on top of things," says Mr Kuit.

"Whatever people feel about it, the borough works. From social services to industrial development and coastal management we are actually delivering the goods."

Martin Regan

LIVERPOOL

Professional reformation

LIVERPOOL has always had a strong professional class. It is exemplified by the banking and insurance business that grew up around the port, and is borne out by the wide range of professionals in the city — not just accountants and lawyers, but also actuaries and property agents.

According to one professional, "We could do with some more competition at the actuarial end", and several are concerned at the merger wave which is leading to a concentration of accountancy firms, but generally there is a wide enough spread for reasonable choice.

Although there is a new-found confidence in the business environment which supports them, the old pessimism dies hard. According to one professional, the city has "a lot of people without entrepreneurial spirit". Others, like Deloittes, report that there are "some" entrepreneurs, but not many. Investors in Industry (3i), on the other hand, reports a steady increase in business start-ups, buy-outs and buy-ins.

The differences in perception, perhaps arising from the different client bases of the firms concerned, illustrate the difficulty in making generalisations about the level of new business activity.

All agree, though, that the staple business for professionals has been the large tier of medium-sized private businesses which have traditionally thrived in the area.

Liverpool's low cost base is also beginning to prove attractive, however. Some administrative operations have already moved to the area. Barclaycard has created 600 new jobs in the Wavertree Technology Park, while the Marks & Spencer chargecard administration is at nearby Chester.

In the business environment old pessimism dies hard

The Royal Insurance group presents the best case for maintaining a large administration staff in Liverpool, where it employs 4,200 at present and has been expanding into adjacent and nearby buildings to its ziggurat of architectural modernism, which is known locally as the sand-castle.

Part of the competition with Manchester has been over where regional head offices are located. Barclays alone among the clearing banks has kept its strong Liverpool base — understandably so since it owes its position to its takeover of Martins, the local bank, several decades ago.

Indeed, a reorganisation last year left the regional office with a wider area than before.

Most of the accountants are all run from Manchester or report to more senior managers there.

Deloittes, the largest accountancy firm in the city, has been keen to show its commitment, however, as evidenced by a recent £500,000 investment in which it moved its national mainframe computer to Liverpool.

The firm, with 190 staff, is very much associated with the "old guard" in Liverpool. Its client list reads like a roll call of the great businesses of the city: Royal Insurance, Littlewoods, GPT, Royal Liver, Mersey Docks and Charterhouse Tilney.

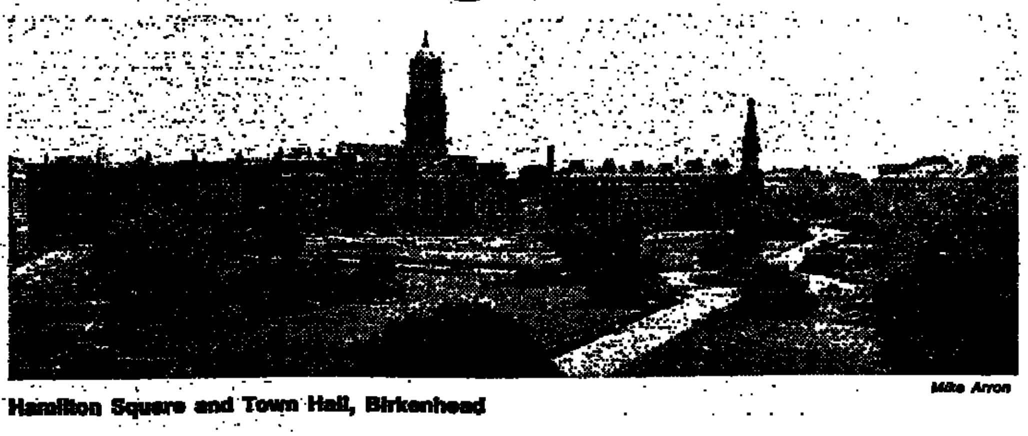
It is less close to the new business starting up in the area — although it has been associated with local success stories such as Colorvision. In line with the Deloitte strategy in the UK, the firm has shed some smaller business and is now concentrating on higher value services to large clients.

At the other end of the spectrum is Ernst & Young, built entirely on Arthur Young's practice in the city, which in turn owes some of it growth in

Continued on Page 5

WIRRAL

Courting attention



Hamilton Square and Town Hall, Birkenhead — Mike Arron

TRADITIONALLY, Wirral's economy has been based around its docks and like Liverpool the borough has suffered badly from the decline of the shipyards.

Faced with rising unemployment the response has tended to be one of crisis management, pushing aid to those areas in immediate need and ignoring the long-term requirements of a peninsula which has a character quite different from its neighbours across the Mersey.

Despite an unemployment rate of around 12 per cent, much of Wirral, particularly in the south-west, is extremely prosperous. The borough, the boundaries of which stop just short of Ellesmere Port, contains a highly skilled workforce — 35 per cent of households are managerial or professionals.

The economic problems are based within a small number of wards around the main population centres of Birkenhead and Bromborough, the areas with the closest economic ties to Liverpool.

Birkenhead, Bidston, Tranmere, Seacombe and Leasowe all have unemployment rates of between 18 to 25 per cent and together account for 40 per cent of total unemployment in the borough.

Emerging with a coherent economic development strategy for such a diverse area remains one of the key problems facing Mr Jim Wilkie, the council's new director of planning and new development.

The whole issue of what Wirral needs and how it should best go about meeting those needs is now under review, says Mr Wilkie, and a broader, more outward looking strategy is the likely outcome.

Although there is considerable unease about the negative effects of being economically tied to Liverpool, the options are limited.

Closer ties to Chester and North Wales remain a possibility, but Liverpool is central to any future growth.

Mr Wilkie believes the "Liverpool effect" is often over-estimated: "Of course, there are disadvantages in being in Merseyside, but there are also great advantages, particularly in terms of development aid.

"The problem is that prejudices against Merseyside run much deeper than most people imagine."

He would like to see a more concerted effort from the five Merseyside boroughs to market the county, arguing that the loss of direction since the abolition of the county council has damaged inward investment prospects.

Wirral's economic base is balanced between the service sector, manufacturing and distribution. Premier Brands, the food and beverage producer, is the largest employer with some 2,600 staff.

Other big employers include VSEL, Unilever, Champion sparking plug and McTay Engineering. Across the boundary, though still on the peninsula, Vauxhall Motors are an important economic force

The worst hit parts of the Dockland have been brought within the remit of the Merseyside Development Corporation and a number of important initiatives are nder way. The most ambitious is the recently announced £100m redevelopment of the Morpeth-Wallasey docks being planned by a Wimpey-led consortium.

The easy availability of grant aid has proved attractive to private sector developers and new developments along the docks are bringing in new businesses.

The Land Registry, which set up its regional headquarters in Wirral two years ago, has announced expansion plans which will create a further 400 jobs, while the American Colloid Company has massively increased its presence in Wallasy.

The confidence has spread to the retail sector. Shearwater Property's giant Cheshire Oaks scheme at Ellesmere Port, which will create almost 500,000 square foot of shopping space, is not seen as a threat to the retail regeneration of Birkenhead. Chester is seen as the likely loser.

Despite the unemployment problems, Wirral has fewer social problems associated with Merseyside. Local authority housing counts for less than 20 per cent of total housing. And apart from a few problem areas around Birkenhead there is no widespread urban dereliction.

Future house building is likely to be confined within built-up areas. The council's policy of maintaining exceptionally flexible green belt is likely to push up the price of the average three-bed semi from its present £45,000. In some areas prices are already as high as in the south-east.

The concentration of employment black spots means that any development strategy needs to be job creating. The quality of environment on the peninsula is seen as a major selling point. Communications are superb and there is scope for tourism.

The elegant seaside resort of New Brighton, at the tip of the peninsula, has considerable potential but suffers from a proximity to urban centres. There are plenty of visitors, but most simply come to walk the dog and spending per visitor is low.

New Brighton is within the MDC's area and while the corporation envisages a small-scale improvement in facilities to test visitor demand the council would like a total redevelopment of the promenade. It would also like to see the ferry service to Liverpool re-established.

A new policy of marketing Wirral internationally has already started. The Wirral International Tennis Tournament, a pre-Wimbledon event, which this year drew Boris Becker and John McEnroe, was shown coast-to-coast on American cable television.

The council is keen to introduce similar events across different sports. "What we have to do is develop a far more targeted approach. Obviously we can't compete with Wellington and Runcorn so we need to think about what it is that Wirral has to offer and their answer has to be quality of life," said Mr Wilkie.

An international tennis tournament may seem a faintly naive aid to economic regeneration, but the main brake on Wirral's growth remains its image rather than its economic structure.

Anything which can show that parts of Merseyside offer a lifestyle of considerable quality is hugely beneficial. In Wirral's case a tennis tournament is as valuable an economic aid as a showpiece industrial estate.

Martin Regan

Professional reformation

Continued from Page 4

the last 20 years to specialising in liquidations.

3i is also close to new business. "We see the new wealth creation," says Mr Robert Toomey, the director. He says that buy-outs are ensuring that development capital is now going into first generation managements, rather than to the sons and grandsons of founding fathers.

In line with contemporaries in other commercial centres, Liverpool's professionals have developed a wider range of services. This has been prompted in part by growing business confidence.

Mr. Geoffrey Piper, senior partner of Deloittes, recalls that "up until three years ago, people were operating on a survival basis. Since then they have been looking further ahead and taking a strategic view." The result has been greater investment in systems, and a consequent demand for consultants in the area.

In an attempt to present the same range of services, legal firms in the area have been involved in a process of consolidation for a number of years.

The largest of them, Alsop Wilkinson, is now part of a substantial national practice, having organised a merger in Manchester four years ago and another in London last year.

"We felt that if we wanted to provide a regional service, we stood more chance if we were in both centres," says Mr Derek Morriss. "The accountants regionalised more in Manchester. We realised that if we wanted to be a regional firm, we had to be in Manchester as well."

Having made its decision, and opted to specialise in commercial law 20 years ago, Alsops is now benefiting from its reputation as the city's leading commercial law firm. Its 14 Liverpool partners lend a range of skills to specialise in a number of disciplines, including shipping, pensions, property and employment.

The result is the level of skills to put together transactions locally.

This has certainly had a competitive impact with Weightmans and Rutherfords, two other old-established Liverpool legal practices, merging last year and a third, Laces, forming a regional practice with Mawer in Manchester.

Much depends on the ability of professional firms to attract professional staff to the area. All report success in competing in the national labour market, although most admit that it is easier to recruit graduates who already have family ties in the area, or who discovered its joys through university there or nearby.

Richard Waters

KNOWSLEY

Too much faith, too little industry

LAST YEAR a survey by urban consultants, CES Limited, of the living standards in 459 local authority districts, placed Knowsley at the bottom. Few were surprised, the social and economic problems of Merseyside's smallest borough are painfully obvious and appear to defy any solution.

The borough, nine miles east of Liverpool, covers an area of just 36 square miles. Its main population centres are a curious mix of Liverpool suburbs and overspill estates, from Kirkby in the north to Huyton and Halewood in the south.

The weakness of the social structure where more than 62 per cent of the population is eligible for family credit and 40,000 residents receive housing benefit is perpetuated by an economic structure dominated by manufacturing industry, much of it still undergoing extensive modernisation.

Knowsley contains around 30 per cent of Merseyside's manufacturing industry and 40 per cent of its workforce is employed in the sector.

There is a solid base of large employers. Delco Electronics, Rentokil, Lucas Aerospace, Ford UK and BICC are all either based in or represented in the borough. However, a service sector has never managed to become established. Indeed, the number of vacant commercial properties almost trebled between 1983 and 1988.

This reliance on large employers was cruelly emphasised earlier this year when Birds Eye closed its Kirkby factory with the loss of 1,000 jobs.

In an area with large pockets of unemployment still as high as 35 per cent the closure was a blow. To rub salt into the wound the accusations of poor labour relations and low productivity served only to deter potential investors. In Knowsley it never rains, it pours.

Since 1983 the borough has enjoyed urban programme status — one of the first suburbs in Europe to be classed as an "inner city" — and a Labour-controlled council has been willing to work with anybody to bring in investment.

A big effort has been to try and improve housing stock which has been described as anything from "unacceptable" to "shocking" by various junior ministers sent regularly to check progress.

The Cantril Farm Estate, a prime example of poor municipal planning, was sold to the Stockbridge Village Trust which was backed by Barclays, Abbey National and Barratt, the housebuilder. Other problem estates are being slowly transformed through the encouragement of the community-based programmes and by the Housing Corporation.

In spite of the gloom there are signs that the economy can grow

In spite of the general gloom there are, if one looks closely enough, signs that the Knowsley economy is capable of growth. Ford's Halewood plant, once regarded as an example of the Merseyside sickness, is now cited as a model of the county's economic turnaround.

Ford UK has announced plans to invest more than £300m in the plant, increasing the annual vehicle production to 35,000. The plant will also benefit from the proposed M57 motorway extension which will link the M62 with the M58.

There are also signs that the council is ready to restructure its entire economic strategy, principally to market the concept of a "M57 corridor".

The motorway forms the geographical backbone of the borough and is seen as crucial to economic growth. The Knowsley Industrial Park, a 1,300-acre estate close to junction 4 has yet to prove the viability of the concept. In the past the park has been bedevilled by poor infrastructure and vandalism.

The former Merseyside County Council invested heavily in new roads and the council has continued with environmental and security improvements. Since 1983 more than £1m of grant aid has been provided, levering a similar amount from private sector finance. A £300,000 security package and a pioneering Industry Watch scheme has also been tried.

The result has been a 30 per cent reduction in vacant floor space in five years, a stabilising of employment levels and a 70 per cent fall in vandalism.

There have also been a number of new arrivals. Middlegate Shipping and Forwarding moved on to an 11-acre site on the park as part of a £1m expansion programme while News International has taken a 30-acre slice of land for its new colour printing plant.

This new plant is the largest single development in the borough since its creation; service sites around the area are being prepared for possible use by News International suppliers.

At the bottom of the corridor, where the M57 meets the M62, the Whiston Enterprise Park is taking shape on a reclaimed 31-acre site and 260 jobs have so far been created, mainly at BICC's fibre optics plant. A new 65-bed hotel is also being built on the site.

At Prescot, to the east of the corridor, Shearwater in partnership with the council is building a new shopping centre on a five-acre derelict site. The scheme, supported by £3m urban development grant, will compete directly with retail facilities in St Helens.

Moorfields Shopping Centre in Kirkby is now complete. The centre, on the Tower Hill estate, is the first retail development since 1974.

Other retail initiatives through the urban programme include the upgrading of privately-owned parades, in partnership with the owners and the Kirkby Town Centre Improvement Area, designed to improve the area and pull in private sector investment.

The council remains doggedly determined to avoid being overwhelmed by its undoubted problems and eggs are firmly in the M57 corridor basket. The borough's motto, "By Faith and Industry" seems curiously apt, though for the present there is too much of the former and not enough of the latter.

Martin Regan

Ian Hamilton Fazey assesses the future of Liverpool Airport

Mr Preece's remarkable flight of fancy

A REMARKABLE hypothesis has emerged about the possibilities for Liverpool Airport. It has been developed by Mr Chris Preece, whose credentials are such that it has to be taken seriously.

One senior civil servant says if it proves true, Liverpool could become one of the world's airport giants, handling between 40m and 50m passengers a year during the next century.

Mr Keva Coombes, leader of Liverpool City Council, says there would be at least 5,000 direct jobs in the short term. The multiplier effect of that would create at least 15,000 others and would include a drift back of the freight forwarding industry to Merseyside.

Mr Keith Robinson, director of the chamber of commerce, says this would reverse the present shift towards Manchester Airport in the north and to Slough in the south (for proximity to Heathrow).

The Preece Hypothesis is that there is a unique window of opportunity for Liverpool because of the continuing growth of civil aviation.

He says there is a lack of clear airports policy in Britain and this is creating market pressure because of the growing strength of competition from European mainland airports.

Meanwhile, airlines are becoming vertically integrated by offering to do all the flying jobs – long-haul, short-haul, commuter and feeder operations – and they want airports in key locations which can function as freeports, entrepots and hubs for smaller airports to feed into and revolve around.

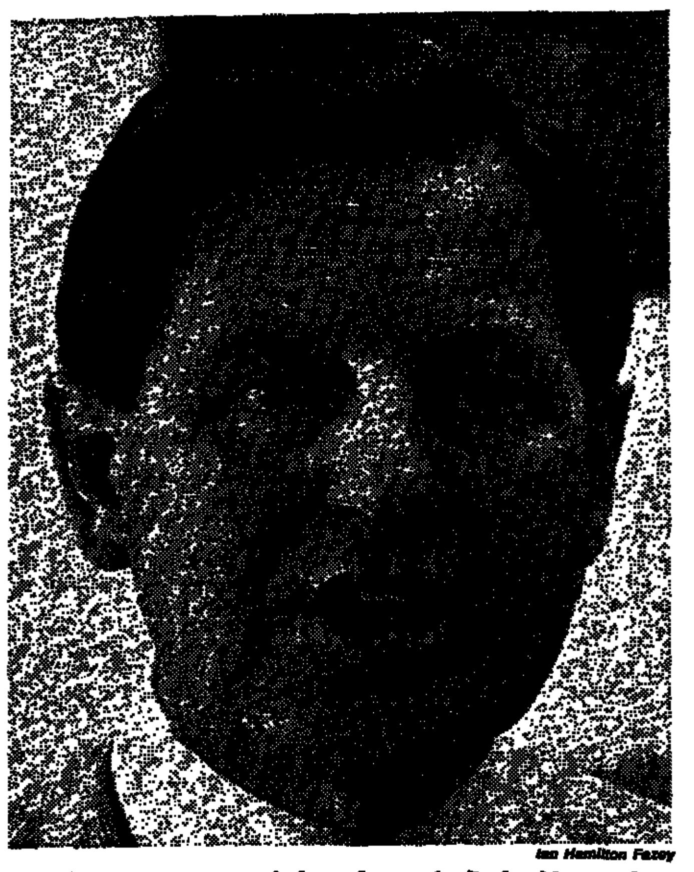
Mr Preece says: "One of the western European countries may see a position to offer itself as an entrepot between east and west, particularly as trade grows between a fragmenting Soviet bloc and the US.

"At the same time, Government concern remains about the economic revival of Merseyside and there is a desire among the region's politicians to find a solution and look for private sector involvement. Developing the airport requires all these forces to come together and react."

But why Liverpool?

The answer lies in a coincidence of location and past failure. The airport is at Speke on the northern bank of a huge U-bend in the Mersey that provides flight paths over water in both directions.

Its existing runway is of full international length and can take fully laden jumbos, as it proves when they have to be diverted from Manchester Airport 30 miles away, as well as on its own account with charter traffic.



Ian Hamilton Fazey

Chris Preece: opens a window of opportunity for Liverpool

Its microclimate is outstanding: it is sheltered by the Pennines to the east and the Welsh hills of Clwyd to the south-west, while coastal breezes mean it is rarely beset by fog.

It has failed in its attempts to become a big-league airport in the past because of decades of squabbling over funding among local councils and Manchester's more single-minded drive for growth and market share.

Indeed, without British Midland and its Manx Airways subsidiary, Liverpool airport would probably be dead by now. It has lost money for years, used to be badly overmanned, and is only just struggling into the black.

Ironically, Merseyside's economic failure and political troubles have helped create the conditions for Preece's Hypothesis. For example, the airport is surrounded by undeveloped land over which the militant council of 1983-87 dragged its feet because it was in a hated enterprise zone.

It also has room for a parallel runway to be built on land reclaimed from the tidal river. It is, Mr Preece says, an almost total rarity in Britain – a greenfield site airport with almost unlimited room for expansion.

He should know. Mr Preece wanted to be a pilot, failed the eyesight test and went into management with British Airways (BA). He ran the office in Washington DC for many years, negotiating routes with the US authorities and honing his considerable diplomatic and persuasive skills.

When he returned to Britain, it was to mastermind BA's switch at Heathrow from Terminal 3 to the new Terminal 4. He went from there to market development director of British Aerospace (BAe).

Here, he turned to a study of airports, policy and prospects, with BAe looking seriously for a way into the high value-added sector of airport management and development.

He led a detailed study of British prospects. He says Manchester will reach 24m passengers a year in the next decade and stick there, bursting at the seams, because it will not be able to build a second runway for environmental reasons.

His work for BAe narrowed the "greenfield" contenders with no associated environmental constraints to two sites, Humberside and Merseyside. The former was ruled unsuitable because it is too far from the north's centres of population, which are skewed towards the north-west.

Mr Preece was so convinced by his own hypothesis that he applied for the vacant job of Liverpool airport director, laid down his terms to the local authority employers about a free hand to get on with it, got the job and has been getting on with it since.

The scheme is a dead duck if the local authorities try to run it. They do not have the money, but since the sums involved would amount eventually to £1.2bn only a private sector giant is going to be able to cope anyway.

It looks increasingly likely that BAe may be the giant. Mr Preece persuaded his old employer to take his hypothesis seriously enough for detailed studies to be getting under way.

Nothing is certain – and the scale of investment and risk may be such that BAe does not go ahead – but the councils seem willing to relinquish control and to take minority shares in exchange for BAe's leadership of a private sector push for growth.

Crucially, the city of Liverpool owns the land and has the planning powers to facilitate any scheme. The Government also seems to be looking on favourably, through the eyes of its Merseyside Task Force.

Mr David Bradley, task force director, says: "The great generator of employment, we believe, is going to be at the airport.

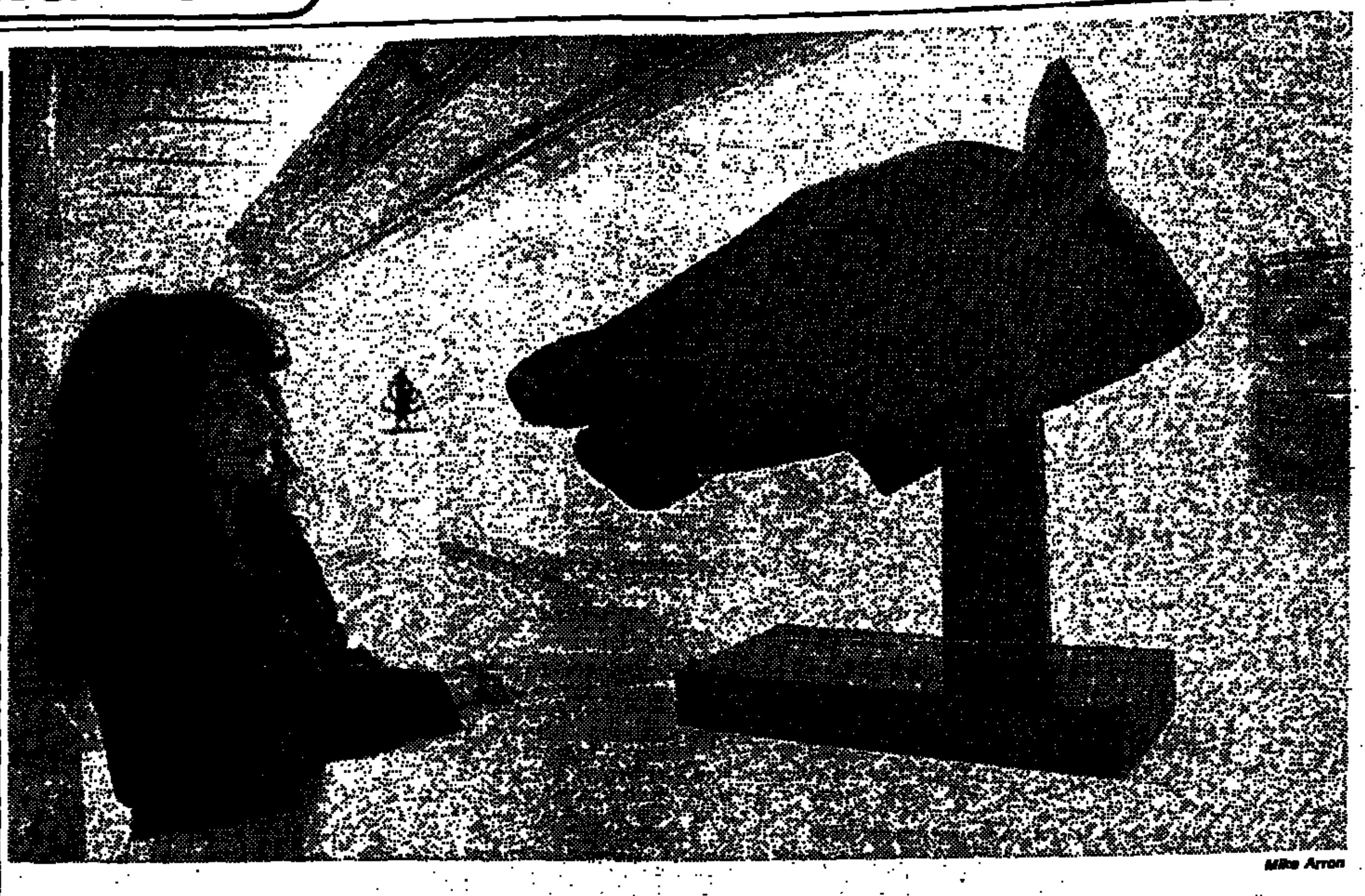
"There is a huge opportunity to create a hub and spoke centre to compete with major European airports. BAe would pay for Liverpool's second runway. Total costs of the entire redevelopment would run to about £1.3bn.

"If world aviation markets keep growing, we could have 40m to 50m passengers a year using Liverpool alone."

Mr Keva Coombes, leader of Liverpool city council, says: "While experts still predict that the air traffic boom will continue, Liverpool has the best potential of all airports in Britain.

"There is no realistic chance of expansion of the airport without private sector investment. We are still awaiting a definite offer from BAe but we will do all we can do to help the company if it wants to come in. I would have thought it was a good investment."

BAe confirmed its interest and seriousness of intent earlier this month, after mounting speculation in the local media. In the past, such reports have usually been pie in the sky: this time it looks as if something more substantial could be in the air.



Mike Arron

Tate Gallery Liverpool: invigilators not only protect the works of art but also talk to visitors about them

Alice Rawsthorn looks at the Tate Gallery Liverpool

Symbol of arts renaissance

THERE is a legend in Liverpool that if the Liver Birds, the statues on the top of the Liver Building, fly away the city will die.

For most of the 1980s a big "To Let" sign was slapped on the front of the Liver Building: a poignant symbol of the city's decline. The sign has since disappeared and the statues are still tethered firmly to the top.

The Liver Building is a legacy of the merchant wealth which brought prosperity to Merseyside in the 1800s. Along the waterfront stands the legacy of a different era. In years to come the Albert Dock development will – or so Merseyside hopes – be seen as a monument to the economic revival of today.

Most of Albert Dock is indistinguishable from the other developments that have sprung up in inner urban areas during the 1980s. The renovated warehouses with their sand-blasted brick facades and souvenir shops could as easily be found in London, Glasgow or Manchester, as in Liverpool.

But Albert Dock also has the Tate Gallery Liverpool, which opened 18 months ago as the regional counterpart of the Tate Gallery in London. The Liverpool Tate is more than just a northern home for the neglected part of a London art collection, it is seen as a symbol of the renaissance of the arts in Merseyside.

There has always been a vibrant arts scene on Merseyside. A study conducted by Granada TV in 1986 estimated that the arts organisations in the region generated turnover of almost £25m and attracted at least £34m additional expenditure. The local arts organisations then employed more than 5,000 people and provided indirect employment for a further 8,000. Today, according to Merseyside Arts, the arts provides as many jobs as the car industry and more than the docks.

Liverpool has long been in the forefront of contemporary art. Today, the city sports four galleries – including the Walker and the Bluecoat – together with a string of community arts schemes such as the Hope Street Project.

But the Liverpool Tate is the boldest project of all. It took four years of building, a budget of £7.5m and an ambitious design by James Stirling to turn the old warehouses on the west side of Albert Dock into a new museum.

The museum is the legacy of the determination of Alan Bowness, the former director of the London Tate, to make the museum's modern art collection more accessible.

The Liverpool Tate does not have a budget to buy its own works of art. Its role is to show selections of the paintings and sculpture – mostly executed after 1880 – from the London museum's collection. There is lots to choose from.

Richard Francis – who returned to Merseyside, where he had once worked at the Walker Gallery, from the London Tate to become curator – describes the Liverpool Tate's exhibition policy as a "sandwich". He sees the collection, which stays at the museum for three years, as the "healthy wholemeal bread" and the shorter exhibitions as "the filling" in the sandwich.

The first collection is of Modern British Sculpture starting with Jacob Epstein and Eric Gill who worked in the early 1900s and ending with the *avant-garde* sculptors, Tony Cragg and David Mach.

The highlight is the summer show which concentrates on local themes. This year's show was one of contemporary art from Cologne, which is Liverpool's twin city in West Germany. The next summer show, The New North, will showcase artists living and working in the North.

Mr Francis is keen to use the northern Tate as a way of breaking free from the constraints imposed on the London museum as an old established arts institution. He plans to run photography shows, while the London Tate tends to concentrate on fine art.

The opening of the new museum also offered an opportunity for the Tate to consider new ways of presenting its collections to the public. The director of the London museum, Nicholas Serota, is now planning a comprehensive re-hanging of its collection to ensure it is more attractive and accessible.

At the Liverpool museum, the Tate has opted for conventional methods of hanging the work. "We are good old-fashioned modernists in that respect," says Mr Francis. "We must match the highest curatorial standards. We show the work in the same way as if it were in New York, London or Paris."

But the Tate has redefined the role of the people working in the galleries. Traditionally, a museum like the Liverpool Tate would be staffed by guards to "protect" the works from the assaults of everyone from sticky-fingered toddlers to professional art thieves.

Instead the new Tate has hired "invigilators" who, not only protect the works but also talk to visitors about them. The idea is that members of the public can approach the invigilators to ask questions about the work or to find out more about the artists.

Before the opening, the museum advertised for invigilators. It received 900 applications and interviewed 90 people for 20 jobs. Each person interviewed was sent a postcard of a work in the Tate collection accompanied by an art historical text about it. They were asked to talk about the work "in plain English".

The invigilators vary from recent graduates, to a former bus inspector. Mr Francis says the public's response has ranged from people rushing up with dozens of questions, to others who are "much too middle class to approach anyone in an art gallery".

There are now 31 invigilators among the museum's 57 employees. The Liverpool Tate costs £1m a year to run. Two thirds of the budget comes – via the London Tate – from the Office of Arts and Libraries. It raises the rest itself.

The Liverpool Tate now generates £230,000 from sponsorship and £120,000 from its share of the income from its coffee and book shops, from entrance charges and letting the galleries for external events.

Mr Francis is eager to raise more money. But, as he is well aware, the future prospects for the Liverpool Tate are tied to those of the Merseyside economy. Meanwhile the rest of the local economy – not least the other arts organisations – hopes that the Tate will attract more visitors and redefine attitudes to the region.

So far there is little cause for complaint. This month the Tate Gallery Liverpool welcomed its millionth visitor – eight months earlier than originally expected.

Alan Pike assesses community relations in Liverpool

A 'blind spot on prejudice'

LIVERPOOL is proud of its reputation for effortless friendliness and tolerance – qualities which have undoubtedly helped the city to survive difficult years of unemployment and economic upheaval.

Because Liverpool people pride themselves on being particularly friendly and tolerant, it has made it all the more difficult for the city to come to terms with evidence that in one sensitive area – race relations – it may be an exceptionally intolerant place.

An independent inquiry into community relations in inner-city Liverpool set up, to its credit, by Liverpool City Council which emerged from the exercise taking a good deal of criticism – had been in progress for only nine days when the inquiry team felt obliged to issue a statement expressing shock at the "uniquely horrific" level of racial discrimination in the city.

Even though black people have a much longer history of settlement in Liverpool than most other British cities, the inquiry found that they had generally not achieved "even the limited advances in jobs, housing and equal treatment" gained by ethnic minority communities elsewhere.

In the first report on its investigations published in July the team – chaired by Lord Gifford QC, a radical barrister – addressed head-on the question of Liverpool's reputation for friendliness.

"We have taken account of the fact that Liverpool people are indeed warm, open and friendly, in a way which is quite unusual in Britain. People will chat to visitors very readily. But there is a kind of blind spot on the question of racial prejudice. It is as if black people and their problems were invisible. People prefer not to think about them. When the facts about racial discrimination are raised, people become defensive and resentful."

To make matters worse, the Gifford investigation coincided with another by the Commission for Racial Equality.This found that Liverpool City Council's housing department had discriminated in the way it nominated to housing associations property ethnic minority families awaiting rehousing. The commission has served a formal non-discrimination notice on the council.

Liverpool City Council has reacted swiftly. Elected members are vetting housing applications. A working party of senior councillors is preparing responses to the findings, and these will be presented to a special council meeting.

The Gifford team examined race relations in Liverpool 8 – the inner city area where most black families live and the scene of the 1981 Toxteth riots. Its criticisms of the failure of institutions in Liverpool were not confined to the council.

Employers, trade unions, the churches and other organisations were all urged to give racial equality a higher priority. Merseyside Police – which under Sir Kenneth Oxford, its recently-retired chief constable, refused to have anything to do with the inquiry – came in for considerable criticism, with the inquiry team calling on the Home Office to conduct an official inquiry into the policing of Toxteth.

Differing estimates put the proportion of black people in Liverpool's population at anywhere between 5 and 10 per cent. The city council is operating at the higher end of these estimates for the purposes of a positive employment policy to try to ensure it increases the number of black people among its 30,000-strong workforce – the largest in the city.

All council vacancies are now advertised – the council has abandoned a system of giving existing employees priority for vacancies, making it difficult for non-employees to gain access to any except the least attractive jobs.

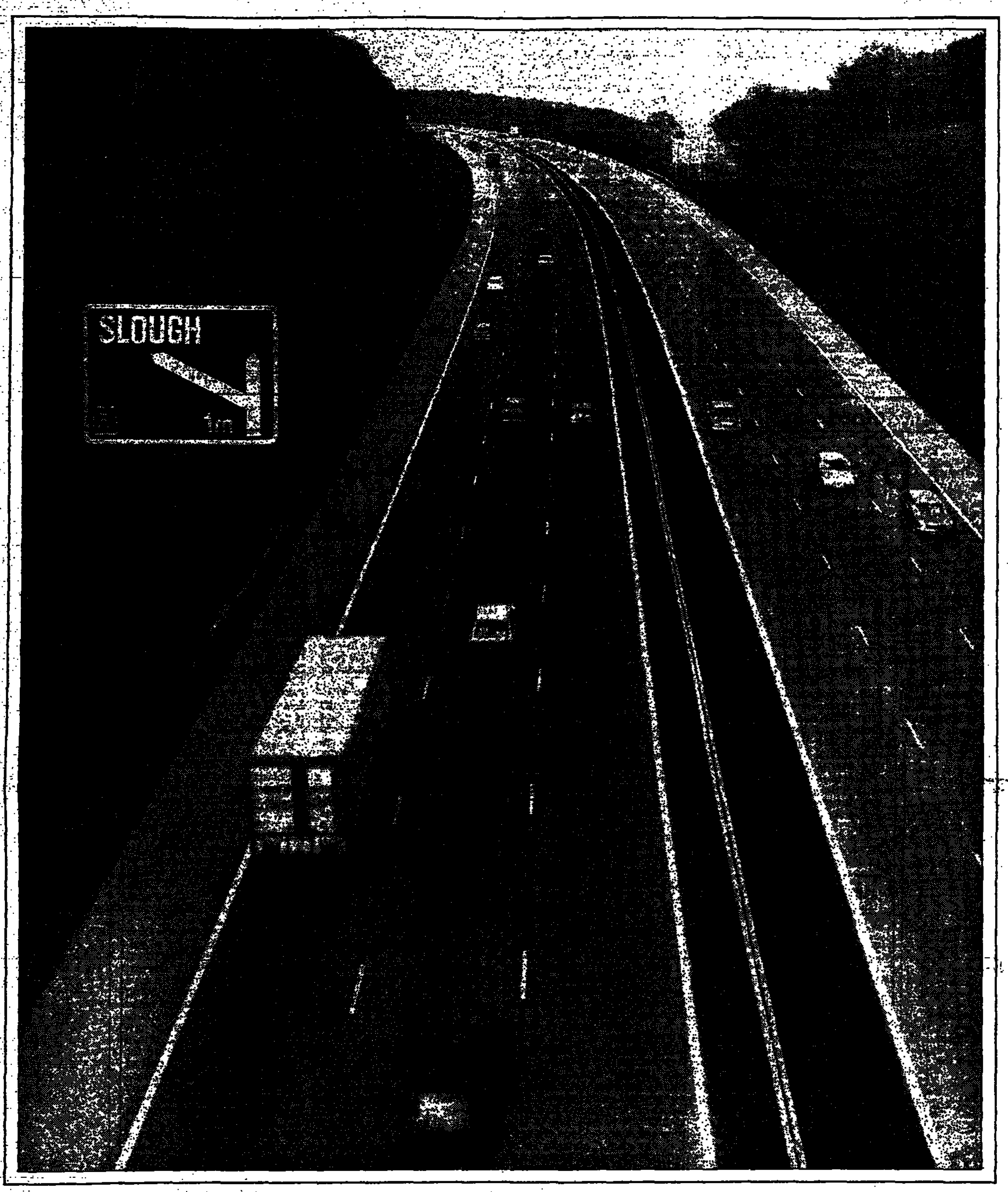
A number of initiatives are in progress to try to improve opportunities for ethnic minorities. One of these – a task force of 12 leading employers who have undertaken to seek ways of securing more jobs for black people – was set up as a result of a meeting convened by the Gifford inquiry team earlier this year.

In another initiative, Merseyside Chamber of Commerce and Industry ran a pilot project aimed at preparing black men and women for successful careers in industry and commerce in 1987. Building on lessons learned from the pilot scheme, another nine months long full-time course aimed at 20-30-year-old black people in urban priority areas will begin in January.

Mr Nigel Mellor, Liverpool City Council's community liaison officer, stresses the importance of good training schemes to compensate for the disadvantage suffered by many black people and enable them to compete more successfully in the job market.

The council is supporting a three-year programme – and investing £1m in it during the first year – which will recruit and train up to 200 black people annually to work in the council's services. Other schemes are making similar contributions on a smaller scale – notably a Women's Technology Unit, which gives 30 women a year the chance to gain electronic, computer and similar skills. Around half the trainees are black and success – measured in terms of trainees going to jobs or further education at the end of the course – is high.

THE FUTURE OF COAL IS JUST DOWN THE M4.



Soon, just twenty miles from London, you'll be able to see the future.

The first of a new generation of Britain's privately-owned, coal-fired, mini-power stations. Incorporating the most advanced, coal-burning technology. It's been commissioned by Slough Estates. The country's largest industrial estate operator.

This new plant employs a fluidised bed combustion system that will virtually eliminate emissions that can cause acid rain and its improved operating performance means less carbon dioxide which will reduce the Greenhouse effect.

Overall efficiency with combined heat and power schemes can be increased from 35% to 85% by using steam, left over after generating the electricity, to heat offices and factories.

Clearly, this model of tomorrow's technology has arrived in time to answer today's needs. As well as addressing most modern environmental standards, it means that Slough Estates will be equipped to play a leading role in the new private electricity industry.

This has been made possible by British Coal's unique long-term contracts with precisely predictable fuel prices for years ahead. And hundreds of years of coal in the ground to maintain supply.

It is this that makes top companies believe that British Coal has the right combination to supply their future energy needs.

British Coal are spending vast amounts of time and money on research to advance technology still further.

Clean, compact, efficient and environmentally-friendly, new coal-fired, mini-power stations are proof that their investment is paying off.

And that, in British Coal, we have a new generation of power to take us into the future.

For our brochure please write to British Coal, Industrial Sales Marketing Department, Hobart House, Grosvenor Place, London SW1X 7AE or telephone 01-235-2020.

WAKE UP TO THE NEW AGE OF

British COAL

Stewart Dalby explores the seaside resorts

Area of departed glories

OUR children's nanny, Karen Dewhurst, comes from Merseyside, Wallasey actually. She does not go out much during the week and every weekend she goes home. She puts some of her wages by and with her boyfriend, Peter, *she is saving* to buy a house.

"Why don't you buy a house in New Brighton," I suggest. This is a faded seaside resort a few minutes drive from Wallasey. "They are going to do it up, property prices are *bound* to rise."

"Geddaway, they've been saying that for years," she replies, "and nothing ever happens. It really is run down, and besides the beach smells."

Driving around New Brighton recently I could see her point. The area must once have

New Brighton's beach has suffered erosion

been a pleasant family holiday spot. But when the ferry from Liverpool *stopped running in* the early 1970s it was a final nail in the coffin for a centre, which like so many other seaside towns had seen the old bucket-and-spade holiday types disappear abroad to new destinations in the sun.

New Brighton went into decline and the Merseyside Development Corporation in its draft area *strategy describes* its current plight graphically:

"The reason that New Brighton was included in the MDC's extended designated area is that notwithstanding its general attractiveness as a residential area *it has a number of* localised problems which are sullying the image of the whole area.

"Most of these are linked to New Brighton's decline as a seaside resort and lack of investment over the last 20 years or so. These problems include jaded leisure facilities, a *dowdy* exposed promenade, unfit dwellings, inefficient and unattractive car parking, an underused marine lake, crumbling and boarded-up properties in Victoria Road, a run-down bathing pool and sporadic eyesores which imprint the hallmarks of a faded resort on the whole area."

If this litany of gloom were not enough, the beach has suffered serious erosion over the past 20 years, creating a rocky and uninviting spectacle. And, yes, I fancy there is a slight industrial pong to it.

It comes as no surprise to discover that the district has the demographic profile typical of an area of departed glories. There is a resident population of 3,130 in 1,400 houses.

Almost 50 per cent of the population are aged 50 and over. Just over 20 per cent are 19 and under. There is a low level of car ownership, but *unemployment* at 16 to 20 per cent is not greater than Merseyside as a whole.

After years of unrealistic megaschemes to kick the area back into life, the MDC does have concrete plans to revive *New Brighton.*

The area was included in the MDC's remit in November 1988 when its designated area was extended.

In its "Draft New Brighton Area Strategy", the MDC puts forward all kinds of proposals for beautifying the marine promenade, for better car parking and traffic flow and for housing improvements.

Its central idea, however, is to create a town square, pedestrianised, inevitably, at the bottom of Victoria Road, shortly before it runs into Marine Promenade.

This town centre with its arcades and shops will be

It will take years to re-establish the beach

linked to the leisure spots on the front by means of a covered all-year winter garden.

At the moment, the leisure area consists of the Floral Pavilion, the Palace Theatre and the *Granada* Bowls. The sites in between these buildings, such as the Victoria park, will be offered to developers so that a concentrated leisure strip can be built.

The MDC has no plans to change the marine lake. It does not envisage deepening it to form a yachting marina because of engineering difficulties, capital expenditure required and competition from elsewhere, not least West Kirby, nearby.

It does want to encourage increased use so that some dredging and improved access for users will have to be arranged.

Nor does the MDC want to spend the £1m necessary to make safe the existing facilities at the bathing pool. The MDC considers open air bathing pools have become an anachronism in Britain. It would be expensive and architecturally undesirable to try and build a roof over the pool to tie in with the existing buildings.

The MDC would favour a developer taking the existing site of 4.8 acres and the adjoining land of 2.3 acres which at present is an underused "sunken" car park and build an all-weather water theme leisure project.

It is prepared to consider proposals for the two sites. These could include: a "sun centre", an hotel with linked conference/exhibition facilities, leisure/sports uses, offices and *some residential apartments.*

As for the beach, the erosion has been arrested by the Wirral Borough Council. During the past five years the council has undertaken to bring back a sandy beach to New Brighton. The initial signs are encouraging, but it will take some years to re-establish the beach.

New Brighton: the area must once have been a pleasant family holiday spot

Tentatively, the MDC reckons to spend £12m in the regeneration of the area and it is hoped some £17m will be forthcoming from private developers. It is worth stressing the strategy is only a draft at this stage so these sums could change.

Behind all this the MDC does not envisage trying to restore New Brighton to a resort status. In its draft strategy it says: "The MDC does not believe it is possible or desirable to return New Brighton to its mid-century heyday as a seaside resort. Times have changed."

It wants to concentrate the leisure facilities along one strip on the front and develop the town centre for the benefit of residents, traders and visitors.

It concludes by saying: "New Brighton is not Rhyl, Southport or Blackpool."

Southport it certainly is not. Easily accessible from Liverpool, this seaside town of 90,000 has quietly flourished, while other resorts have died by turning itself into an all-year, resort for older people. It has developed a useful conference business as well. *It stands in* relation to Blackpool rather like Eastbourne is to Brighton on the south coast. Where Blackpool is brash, Southport, with its Victorian covered shopping arcades and open air cafes and floral gardens is genteel.

There are facilities for 6,000 people at the Southport Theatre and Floral Hall complex and elsewhere for conference and exhibitions of the smaller variety. The town reckons to receive 1m staying visitors a year and around 6m day visitors.

Nor is Southport standing still. A megascheme which would have included a huge inland lake, marina and business park, seems for the moment to be in abeyance. But the council looks like going ahead with a more modest *£150m seafront development plan.*

Professor Patrick Minford puts his case

Handicapped by a bad image

PROFESSOR Patrick Minford is Edward Gonner Professor of Applied Economics at the University of Liverpool. He is one of the heads of the Liverpool *Research Group in Macreconomics* and is known as a leading Thatcherite supply side economist. He is also a critic of the Merseyside Development Corporation. Thus, the MDC having for years been hamstrung by criticism and obstruction from the extreme left politicians in City Hall, now finds itself under attack from the extreme right at the university.

Professor Minford does not think the MDC's strategy is entirely wrong, only that most of it is misguided. He admits the MDC had a very difficult wicket. The lack of co-opera*tion from the militant* politicians in City Hall, the collapse and dereliction in parts of the docks area, the bad reputation the trade unions acquired all militated against private investment moving in.

He considers it unwise to emphasise tourism and leisure as the panacea for Liverpool's problems, as he believes the MDC does. He feels tourism is acceptable as far as it goes, but it does not go nearly far enough. Something like 10m people visit Liverpool each year, 7m of them day visitors. They spend millions a year, but the industry employs only *around 20,000 people.*

Even if Merseyside acquires a better image and this results in the expansion of the leisure industry thus encouraging other service industries and retailing, this does not solve the area's basic problem, according to Professor Minford.

In fact, money is flowing into service industries such as insurance, leisure and data processing, and is bringing predictable problems in its wake. The labour for such work is non-manual for the most part, and nearly as scarce as anywhere else, says to Professor Minford. Accordingly, the unemployment rate for such people is down to around 5 per cent.

The result is that investment is using up the land for offices and housing, beginning to

Attracting investment is a very competitive business

drive up prices, and pulling in non-manual workers from outside to supplement the dwindling stock. Since it is largely women and school-leavers who are gaining employment, wages are lower than for the old heavily unionised manual workers, and families tend to be relatively worse off.

The quintessential difficulty, as the research group sees it, is the masses of manual unemployed who define the regional inner-city Merseyside problem.

A paper in the research group's twice-yearly bulletin, "Merseyside Economic Prospect", says: "Indeed apart from this unemployment [manual labour] and a certain amount of typical inner city dereliction, there is essentially no other Merseyside problem, the area is doing well."

There is now 25 per cent unemployment among the 250,000 manual workers. The 62,500 former dockers and other manual workers are not going to be soaked up by the service industry. Yet they do constitute an important economic resource which could be the basis of economic regeneration if properly utilised.

Most factors influencing inward investment, skilled labour costs, infrastructure, and capital costs are usually competitive in most major locations, because they are priced nationally or internationally. The two determinants which can be decided locally are a reservoir of manual labour and an abundance of land for development. In Merseyside there is cheap land, rents are low and with the imminent arrival of the Unified Business Rate, together with the revaluation of rateable value over the early 1990s, business rates will be falling to well below comparable southern ones.

Professor Minford cites the recent Toyota plant in Derby*shirewhich* will cost £700m and will employ 3,000. Much additional employment will flow from that, perhaps as much as 4,000. The project illustrates, Professor Minford feels, both that modern industry is highly capital intensive, at more than £200,000 invested per job, and that there are major profit opportunities in the UK economy's northern reaches.

Similar investments announced by Fujitsu in the north-east and Bosch in south Wales make the same points.

Merseyside, with its high unemployment and unexploited land, should be attractive, but, says Professor Minford, "it has to be said that Merseyside is getting nowhere in this high-stake battle for new industrial investment".

One reason which many people will quickly cite for this is the unattractiveness of the manual labour in question. Merseyside's workers have developed an unenviable reputation for being heavily unionised, troublesome, unproductive, and expensive.

Professor Minford admits that Merseyside's record looks none too good, but feels a new climate is prevailing. He also feels the Japanese manufacturers, who will want to come to Britain and other peripheral and cheap parts of the EC in increasing numbers as the single market of 1992 approaches, have proved adept at negotiating new working practices and single union deals.

Even if the unemployed *manual workers prove willing to* accept a new economic realism and price themselves into work, surely there will not be as many jobs with single employers as there were?

"No, with technological change there will not be as many single large employers. But remember in industries like motor manufacturing there is considerable spin-off in components companies. There might not be as many new jobs in any one project, but at the moment Merseyside is not getting any at all," he says.

The Merseyside Development Corporation, of which Professor Minford is so critical and from which he resigned because it turned down a deep-water jetty and power station which could have produced 1,000 jobs, says within its bailiwick it *does not* have sites large enough to accommodate large-scale manufacturing units. Its largest site is 50 acres. Professor Minford says this might be true, but he is sure land could be made available if the will were there. This is especially the case along the north docks/port corridor.

"The problem is there is no co-ordinated effort to attract industry and correct Merseyside's bad image. The Liverpool City Council can't do it, the other four borough councils are pulling against one another, and the development corporation seems interested only in winning architecture awards for its leisure projects *or building hotels,*" he says.

He adds that attracting investment is a very competitive business. Merseyside has watched while the Welsh Development Agency, the new towns and places such as Scunthorpe *have scooped up footloose* companies, and expanding ones. Admittedly, Merseyside does not have the range of grants and other incentives which some areas have used. Still, it could have tried harder on promotion.

"Eventually it will all come right because at this rate Merseyside will end up the cheapest location around. But what happens to the unemployed while this takes place? It could be years."

Stewart Dalby

MERSEYSIDE DEVELOPMENT CORPORATION

Final judgment reserved

THE JURY is still out on whether the Merseyside Development Corporation has been a success, and whether even in the ninth year of its supposed life of a decade, it is going about things the right way.

Put in its baldest terms the MDC has spent £175m of government money (£135m capital costs), but generated only £43.5m of private sector investment. It has created 2,750 jobs when overall unemployment in Merseyside stands at 15 per cent or just under 70,000 without work. This year the House of Commons Public Accounts Committee published a damning criticism of the corporation's work and thinking, although the period covered ended in 1987.

The idea when the two first development corporations were set up in 1981 (the other was London Docklands) was that a modicum of public spending on necessary infrastructure would generate private sector investment in designated areas in multiples of four or five to one at least.

The MDC seemed to be throwing funds into a bottomless pit

The London Docklands pretty soon after its inception started to draw in private money at 10 times the rate of public spending. The MDC was compared unfavourably with Docklands because it seemed to be throwing government funds into a bottomless pit with no prospect of private investors *jumping* in as well.

The criticisms of the MDC have become less strident now that various property ventures have collapsed in Docklands because of the softness of the residential property market. With hindsight the dangers in Docklands of putting the cart of unfettered private sector development before the horse of proper infrastructural planning are obvious. Too many flats, houses and offices were built speculatively and now someone is going to have to spend billions to improve road and rail links.

The MDC did, willy-nilly, get its priorities right and mend the infrastructure first. By March it had reclaimed more than 700 acres of industrial dereliction, and built or upgraded 7km of roads. With the Merseyrail, a mass transit scheme, congestion is not a problem.

Nevertheless, the Government should be showing a return on its investement by now, or so critics contend.

Dr John Ritchie, the chief executive of the MDC, argues that comparisons with docklands were never valid because the situations were entirely different. The Docklands Corporation was given a large site opposite a crowded City of London. It was at a time when the financial services industry was undergoing a great expansion, because of the deregulation domestically under the so-called "Big Bang", the globalisation of financial markets and the improvement in international communications.

Developers attempted to set up an alternative City of London but with new residential properties. Arguably, this was to the detriment of those people already in the area. Because the site was made an enterprise zone with substantial concessions on rates and taxes, development was bound to be feverish.

Liverpool, by contrast, was a town which as a trading and commercial centre had been running down since the early years of this century. The decline was accelerated in the 1970s when Britain joined the European Community and the thrust of trade transferred from the west coast and the Americas to the east coast and Europe. Liverpool proper now has a population of 480,000 compared with 750,000 in the 1960s and is still haemorrhaging people at about 5,000 a year. Tens of thousands of jobs were lost in manufacturing industry.

The MDC had a much smaller area than docklands, only 800 acres. Within it, according to Dr Ritchie, there was "total" dereliction. The Albert Dock complex, which has become the centrepiece of the MDC's tourism and leisure drive, had 30 feet of silt. With other forms of pollution and decay, rehabilitation was slow and it opened in 1988.

Interest has picked up. Over the current year £58m of pri*vate sector money has been* committed. Mr Philip Carter, the chairman of the MDC, says that if all the plans now being discussed and considered come to fruition then by 1993 there will be at least £500m of pri*vate investment. The George's* Dock leisure centre is due for completion by 1991 at a cost of £25m. Separately, the Mersey Docks and Harbour Company is developing with P&O properties and Barratts three of its old warehouse complexes on the northern docks at a cost of possibly up to £300m. There are many other projects in the pipeline, including a massive retail centre.

The MDC has had its area extended twice, the last time in November 1988. It now covers 2,400 acres, three times the original site. This has inevitably meant that *its life will go* on well into the 1990s. MDC officials feel this expansion must mean the Government thinks it is doing something right.

Critics, particularly Professor Patrick Minford of the University of Liverpool's economics department, are not so sure. He feels the emphasis on leisure and tourism is misplaced. The Albert Dock, with the Walker Art gallery, the Maritime Museum and the shops and pubs is an attractive showcase for tourism in Liverpool. Last year 3.5m visitors went to the Albert Dock.

But tourism does not account for many jobs. It is not *the answer to the city's* inner city problems. These centre on the level of male unemployment particularly among manual workers. They can only be resolved by attracting manufacturing industry, such as Japanese car companies.

Professor Minford resigned from the board of the MDC last year when it turned down a project for a power station and a deep water jetty on the Wirral peninsula opposite Liverpool. It would have been a £250m investment and possibly created 1,000 jobs. Professor Minford *thinks Liverpool* should grab any heavy industrial investment it can get.

Mr Carter says the project was not turned down on environment grounds, as is commonly supposed, although this was a factor. The smoke clouds would have been visible from the Albert Dock. He claims that in all the multiplier models the MDC tried there would not have been as many jobs emanating from the power station as there will be in the mixed commercial/light industrial project with which the MDC is now going ahead.

The development of tourism and leisure has been a necessary precursor to other forms of investment, as Mr Carter sees it. The city has a bad image. If people increasingly visit Liverpool they will realise it is also a nice place to live and work.

Now that other towns in the north are filling up with service industries, Liverpool remains cheap but not too cheap that developers cannot get reasonable rents and returns. Tourism will give way to residential, commercial, and retailing. In fact this is already happening. Mr Carter does not *dismiss the prospect of manufacturing industry, but not on* the MDC's turf. There is simply not the room.

Professor Minford says there is no way 60,000 former dockers are about to become waiters, clerks and barmen. *Manufacturing industry will have to* form the basis of regeneration. The next five years should prove who is right.

Stewart Dalby

Robert Waterhouse explores Wavertree Technology Park

A paradigm and a beacon

WAVERTREE Technology Park is the essence of resurgent Liverpool, born of the Heseltine initiative. Its 64-acre site, the former BR Edge Hill marshalling yards, was reclaimed using £8m of government money. Wavertree involved a four-way partnership between the county and city council, English Estates and Plessey, which seconded management skills. Quality design and progressive marketing attracted big names and innovative companies.

Six years on, the park is both paradigm and beacon for inner Liverpool. Its lettable space, just about complete, is heavily oversubscribed. New medium-sized units have an asking price of £7.50 per sq ft, way ahead of the local market. Precise architectural standards, excellent landscaping, civilised amenities, reliable security and demonstrable success stories have overturned received images of the city.

Wavertree is only too aware of its importance to Liverpool, but the companies which choose to locate there do not survive by being hothouse plants. Many compete in national or international markets, often at the high-risk development stage. They praise the skills and stability of local labour, say they have little trouble recruiting specialists from around the country, and believe the park strikes the right tone to impress the most demanding of clients.

There are moans. Some smaller, leading-edge companies lament the overall mix of tenants which, they say, stretches their understanding of the word technology. In the words of one critic, a few tenants are "about as high-tech as a cheese sandwich". Some companies would like to see a more formal basis for communication and exploration of mutual interests. Some accuse the park's management of trying less hard than during the pioneering stage.

This year has seen changes behind the scenes. As from January 1 two of the four original partners – Plessey and the Merseyside Residiary Body, successors to Merseyside County Council – relinquished their shares in the company as had always been planned. Both Richard Hughes of English Estates and Michael Hayes, Liverpool's city planning officer, admit the new partnership has taken time to bed in.

"There was a hiatus during the change-over period," Mr Hayes says. Its most important knock-on effect has been to slow down preparations for the second phase of Wavertree Technology Park just at a time when demand is beginning to exceed supply. And creating phase two could prove almost as testing as phase one.

Its 20-acre site, also in BR ownership and also derelict, is across the main Liverpool-London line from the park. A bridge will have to be built, and new grant regimes make the £3m-£4m reclamation process challenging. The park company, which commissioned a feasibility study on the site, plans to lodge a derelict land grant application this month. It will be the start of a long, slow process.

Even when phase two is complete, Wavertree will not fully exploit the potential for technology firms in inner Liverpool. Nor will it be likely to provide the "critical mass" of companies generating a high-tech environment. Phase two tenants will be more carefully screened for high-tech manufacturing credentials. There will not be another 100,000 sq ft available for Barclaycard, though securing Barclays' Masterloan and credit centre at Wavertree was seen as too good an opportunity to turn away.

Wavertree's development potential finishes with phase two. There is no obvious extension available in the area. Because of its closeness to the M62 (a plus most companies rate highly) any land becoming available is being snapped up for non-retail shopping, where developers can expect swift recovery of infrastructure costs. Mr Hayes points out that such costs can't be retrieved from industrial units. "Liverpool has plenty of land but very few sites," he comments.

From the perspective of go-getting software companies such as SD Micros or Gardner Systems Liverpool's potential outweighs land-assembly problems. Michael Price, managing director of SD Micros, construction industry software innovators now part owned by Laing, sees the makings of a high-tech community running from Liverpool to Salford via Warrington – the M62-M602 corridor. "Software houses don't have to be in the south-east," he says. "Costs are cheaper here, skills are better. But we badly need to keep the momentum going."

Mr Price is one of a new breed of Liverpool entrepreneurs. His skill in defining a market for calculating material quantities from two dimensions and supplying the trade with an attractive package – "it took me three years to realise that users wanted something they could hold" – has brought all the trappings of success. It has also, if anything, firmed his commitment to Liverpool.

Frank Coward, a director of Gardner Systems, which manufactures bespoke software systems for retail operations including point of sale technology, is more outspoken about Wavertree's responsibilities. He feels the park should be making more of a contribution to the inner city by training and liaison programmes.

Gardner Systems is shortly to move to its own 10,000 sq ft purpose-built premises on the park and expect to double that requirement in three years. Staff are recruited locally and trained on a one-to-one basis. Mr Coward believes that unless such approaches are formalised there is a real danger of alienation and vandalism. "We would like to be here as invited guests rather than an occupying army," he says.

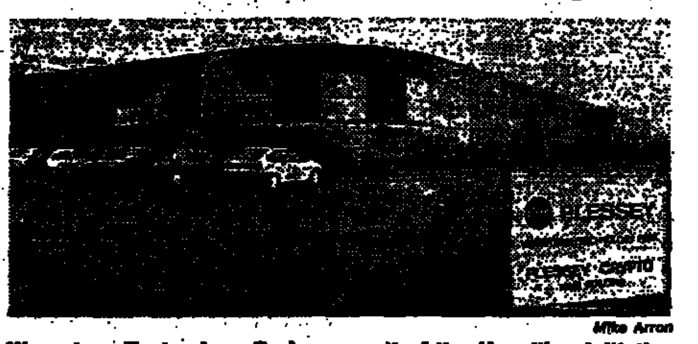
Bigger companies such as Plessey Crypto, the first to arrive on the park in August 1984 and now employing 300, are also looking to expansion. The company saw relocation at Wavertree as a chance to widen its product range, using expertise in defence communications to develop secure commercial systems.

Plessey Crypto's personnel executive, Martin Flavell, believes the move has already paid off. Business is good. The company's premises, purpose-built by English Estates, and the general feel of the park, he feels, match up to international standards.

Staff divide in roughly equal numbers between professional design engineers, many of whom either went to northern universities or have returned to Liverpool roots; the skilled or semi-skilled workforce, locally recruited and stable; and the support side. Mr Flavell believes that for all three Merseyside is as good a place as any. The company's independence has been assured following GEC-Siemens' takeover of Plessey.

A 12-year business plan drawn up for Wavertree in 1983 aimed at full occupancy of the 64-acre site by 1995, providing 2,000 jobs. This looks like being achieved five years early, though the job count will be around 1,600. Most agree that the jobs themselves, important as they are, take second place to the concept.

Talks are under way, in the context of Wavertree, to encourage links between Liverpool University, Liverpool Polytechnic, the Merseyside Innovation Centre and the private sector. The aim is to explore areas of technology transfer, and to use the park as a basis of future training programmes. Whether this top-level initiative helps develop a north-west high-tech culture is just one of the questions Wavertree poses for the 1990s.



Mike Arron

Wavertree Technology Park: a result of the Heseltine initiative

THE MERSEY BARRAGE

Smoothing the waters for a century of clean energy

IF ALL goes to plan it will have taken under 20 years from first concept to construction of the Mersey Barrage. By the standards of a £1bn project this is a remarkably short timespan. Peter Wood, development director of the Mersey Barrage Company (MBC), acknowledges that fortune has been on his side so far and that prospects look even better.

Privatisation of the electricity industry imposes the Non Fossil Fuel Obligation (NFFO) on supply companies, who will be required to purchase around 20 per cent of power from nuclear or renewable energy sources. Given the cost of building, maintaining and decommissioning nuclear stations, the economics of wind, wave and tidal energy become more attractive than when in straight competition with coal-fired generation. Delays in introducing privatisation give MBC a little more time to formulate their NFFO bid.

Environmental worries over nuclear waste disposal or fossil fuel burning and the growing political importance of green issues offer renewable energy protagonists a real opportunity in the run-up to the general election – just at the time when MBC will be seeking to process its Parliamentary Bill. The Government may well be looking for a high-profile success story, and the Mersey Barrage could be it.

In context, a fixed barrage across the River Mersey between Liverpool and Birkenhead or Wallasey (there are two alternative lines at this stage) whose sluices drive up to 30 turbines is expected to provide 800 MW of installed capacity, generating 12 hours daily. Fiddlers Ferry nearby has four 400 MW units. The barrage could provide half of Liverpool's energy requirements during its expected 120-year life, or about 0.075 per cent of national demand.

The idea of the murky Mersey – Europe's most polluted river – offering a century of clean energy is of obvious appeal to copywriters. But the most serious objections to the project are hydraulic and environmental. They pose two questions: what effect will the barrage have on sedimentation within and beyond the estuary; equally, what are the consequences for the wildfowl which overwinter in numbers making the unprepossessing mud flats and sandbanks of international importance.

Neither question was resolved by the £2m Stage 1 barrage feasibility study, which reported last December. The study – joint-funded by MBC and the Department of Energy (DE) and co-ordinated by Rendel Parkman, Liverpool-based consultants – set out to test a series of negatives. Was there, it asked, an overriding impediment to prevent the barrage being built for hydraulic, environmental, navigation or socio-industrial reasons? The answer came as another negative: No.

Uncertainties left by Stage 1 include the proposed line of the barrage. There are two alternatives: a line close to the mouth of the river, downstream of Liverpool; and one between Rock Ferry and Dingle, near the garden festival site. The study suggested a choice between the two lines should be left until after the more detailed work in Stage 2.

The threat to wildfowl could sink a Bill

This £1.3m project is under way, another joint operation between MBC and DE, timetabled to report at the end of 1990. It will seek to determine barrage configuration, construction and operational costs, non-energy economic benefits, and, of course, the likely environmental impact.

Meantime, MBC is starting to lay plans for the development stage. This covers the time from 1991, when the Parliamentary Bill is lodged, to 1994 when construction may start. It is, as Mr Wood freely admits, a time of high risk for investors who will be approached by Barclays De Zoete Wedd, financial consultants to MDC.

Of the £10m-£20m needed for the development stage, perhaps £3m will be spent on a full-blown environmental impact study. Then there is the detailed engineering design. It is at this point, given a safe passage for the Parliamentary Bill, that serious thoughts about construction finance come into play.

Development stage investors will expect a higher return for their faith in a project which may never get into the water. Financial arrangements could include European Investment Bank and commercial loans, as well as straight equity.

In the end, the Mersey Barrage will find finance if the figures stack up. Almost all its costs are up front; investors will see nothing in return until the first power is generated. But once electricity comes on line supply is guaranteed at a return which inflation will make increasingly attractive.

MBC's 24 subscribers – who contributed to the two-stage feasibility study – combine public and private industry, offering a wide variety of resources. Participants like McAlpine, BICC Cables and NEI will not be barred from tendering but have joined on the understanding that the process is to be competitive.

"The list is still open," says Mr Wood. "People have to come as full subscribers and bring something to the party." The latest to sign, for instance, is Trafalgar House Property. Others include MANWEB (the regional electricity board), Liverpool University and the Mersey Docks & Harbour Company.

Parkman Consulting Engineers, who led the Phase 1 feasibility study, took a board decision not to subscribe. This, says George Eakin, the company's managing director, was in the interests of impartiality – not through any lack of enthusiasm about the project. Indeed, Parkman is now working on barrage construction alternatives such as diaphragm walling using redundant supertankers or massive cast-concrete caissons. They are operating at cost – as they did on Phase 1. But, Mr Eakin implies, first-hand knowledge will give the company a massive start when it comes to the design contract.

Mr Wood first came across the Mersey Barrage concept in his former job as Merseyside's county planning officer. He has steered the idea virtually single-handed to the point where it is a serious proposition with huge potential benefits for the local economy. Industry, property developers, and tourism interests all stand to gain from the lower tidal range created upstream. The barrage itself, and related developments, would be a major tourist attraction – pulling about £10m a year into the economy.

The project adds momentum to the £4bn Mersey Basin Campaign to restore the river to a reasonable condition. In its present state the Mersey gives a rich definition to "flushing time" – the period it takes for tidal-born pollution to ebb and flow up the estuary before it eventually disperses into the Irish Sea. A barrage increases flushing time.

Shipping interests are generally opposed to the barrage. It will not affect Seaforth trade, but vessels destined for Garston and the Manchester Ship Canal must navigate a commercial lock. In recompense, Eastham Lock will be available for Ship Canal users during longer periods because of the raised water level in the inner estuary.

However, it is this raised water, covering tidal banks where significant numbers of Europe's wildfowl overwinter, which could yet prove an overriding impediment to the barrage project. The pintail, teal, wigeon, shelduck and dunlin are virtually priceless. They certainly cannot be bought, and the potential threat to them could sink a Parliamentary Bill.

Some say that the main attraction to wildfowl – and numbers have increased markedly in recent years – is the sort of organic pollution which Liverpool's new sewage treatment plant in Sandon Dock will minimise from next year. It could, just, be another lucky break for the barrage.

Robert Waterhouse

Richard Gourlay on the food industry

Sweet success amid steady decline

IN THE comfortable suburb of Moreton on the Wirral peninsula lies the Premier Brands chocolate biscuit factory exuding, it has to be said, the sweet smell of success.

A successful £97m management buy-out of the old Cadbury Schweppes plant in 1986 followed by its sale in March this year for about £280m to Hillsdown, the fast growing UK conglomerate, rewrote the texts on worker capitalism.

Moreover, Hillsdown's acquisition of the branded goods business, with its labels that include Typhoo, Smash, Marvel and Hartley's jam, has opened *opportunities* for expansion, securing more than 3,500 jobs, some of which could have gone had Premier been swallowed by many other food groups.

Premier's success is a rare exception in the local food industry. Merseysiders have become inured to group *"rationalisations"* that mean loss of local jobs, not jobs elsewhere in the UK. And there is a resigned recognition that the *economics* which originally drew the edible oils and fats industry, for example, to the teeming port of Liverpool now no longer work in Merseyside's *favour*.

The more usual picture has been a steady erosion of jobs

The limited overlap between Hillsdown and Premier Brands' product lines leads Martin Bralsford, Premier's managing director, to believe that the latest change of ownership will not mean job losses. Using marketing arms of the Hillsdown group, Mr Bralsford hopes to expand into Canadian and continental European markets, particularly in France and Spain.

But Premier's rapid growth during the period of the management buy-out was through *acquisition while long-term* security of the Moreton plant will depend on the organic growth of existing product lines.

The more usual picture on Merseyside has been a steady erosion of investment and jobs. This was dramatically highlighted by Unilever's closure of its Birds Eye division in March.

To Liverpool's great embarrassment the announcement of the 1,000 job losses coincided with a rare visit to the north-west by Mrs Margaret Thatcher, the Prime Minister. Birds Eye *blamed* the closure of the Merseyside plant on intransigent unions which would not accept the loss of one third of the workforce to keep the rest. Some analysts, however, say Birds Eye had one too many plants and that one would have had to go in time anyway.

Changing patterns in product distribution is also working against Merseyside as the *Europe of 1992 looms and* draws large warehousing operations further south. Again, Unilever has bowed to the economics of consolidation edging south, rather in the footsteps of that other great name founded in Liverpool – Tate and Lyle.

Over the past two years Unilever has been changing the nature of its oils and fats business on Merseyside. Its Van den Berghs & Jurgens subsidiary has been moving supermarket-sized production of edible oils from Bromborough *(SP?) to its plant in Purfleet.*

Production of bulk quantities of oils and fats by another Unilever subsidiary, Craig Miller, is moving up to Bromborough – and with it the head office operation. The reorganisation involves some new investment but Unilever originally foresaw the loss of 600 of the 900 staff.

"The geography, history and economics of Merseyside are *behind the move,"* says *Mr Bob* Harcourt, of Van den Berghs, which used to own its own dock to service its refinery. *Now it brings in by train* 100,000 tonnes of crude oils a year from the south.

The move is the result of similar factors that have shrunk Merseyside's dock labour force from 47,000 at its peak to about 1,600 today. A decade ago costs at Mersey's docks – demurrage on delayed sailing, dockers' wages and port tariffs – rose so quickly that shippers simply passed by, either to Thames ports or transhipped from Rotterdam.

"At one stage refined bottled vegetable oil from Rotterdam was cheaper than J Bibby *could produce at its factory* gate on Merseyside," says David Key, general manager of the Tate and Lyle-owned United Molasses tank storage operation in Liverpool.

Three events have partially revitalised Merseyside. United Molasses invested in the freeport; Bunge, the South American venture, bought out J Bibby and built a new refinery; and Cargill bought out the Con*tinental facility for refining its* own soya beans. Some shippers have returned to Merseyside – notably Stolt Nielson and Tokyo Marine – but in 1988, Thames ports surpassed the Mersey as the largest importer of edible oils and fats.

Three events have partially revitalised Merseyside industry

Furthermore, Humberside's *role in oils and fats imports is* growing with the arrival of the Malaysian-backed joint venture, Anglia Oils. The thinning out process saw four refiners snapped up by Akatos and Hutcheson, the rapidly expanding group which was recently hit by fears of margarine contamination and has come under Department of Trade and Industry investigation into possible insider trading of its shares. Two of the four independent refineries taken over closed.

There is, however, a harsh *irony in Merseyside's win* some, lose some battle to whittle away at the 19 per cent unemployment rate. Employers in the region, particularly those with operations in the south-east, say the right sort of labour is easy to find, train and, more importantly, keep. It gives Merseyside an advantage, they say, that will become increasingly important as quality has to rise to meet the challenge of the single European market.

If jobs are still hard to find, ingenuity certainly is not as demonstrated by the highly successful Park Foods Christmas hamper-based group. Mr Peter Johnson, former *family butcher and owner of* Tranmere Rovers Football Club, has learned to be an ardent adherent of cash flow.

For nine months of the year his sales team bring in weekly contributions until in a burst of buying and packing before Christmas his hampers with a value close to retail prices emerge from his Birkenhead headquarters.

The business has developed a £106m turnover and attracted a number of suitors, all so far rejected. But Mr Johnson has just transferred beneficial own*ership of his controlling* interest in the publicly-quoted company to an offshore trust – in so doing incurring a substantial capital gains tax liability. Informed speculation is that Mr Johnson is not only looking to sell Christmas turkeys this season but his goose and its golden eggs.

CAR INDUSTRY

Hopes are high for a smoother ride

Vauxhall plant: now running at a capacity of 600 cars a day

Mike Arron

FORD announces a £600m investment at its Halewood factory ahead of the launch of a new range of Escorts; Vauxhall presents a more modest investment at Ellesmere Port but consistently cannot build enough cars to meet demand. Can this be the Merseyside car industry of old?

It was not so long ago that Ford's pen was poised like a Damoclean sword above an order to close Halewood. Across the Mersey the Fates, in the guise of General Motors' head office, were also weighing the future of Ellesmere Port, not so much because of the near collapse of industrial relations in the late 70s but because an outmoded range of model designs meant people were simply not buying their cars.

Merseyside was on the brink of losing two of its largest private sector employers. Like Damocles, Halewood was spared and the management and unions learned some salutary lessons. By the mid-80s the most rigid job demarcation lines were breaking down, the workforce was learning that Halewood had to compete not only with other car companies but within Ford Europe for investment and the management was learning it had to consult rather than dictate working practices.

Meanwhile, at General Motors a fundamental re-think of model designs breathed new life into the Merseyside plant and helped place Vauxhall among the most successful car companies of the 1980s.

Merseyside's investment promoters say the corner has been turned and that the period of industrial turbulence is behind them. But musings on the possibilities of a Toyota or a Honda ever setting up in the area are met with the kind of blank incredulity that accompanies talk of English cricket victories in the West Indies.

The transition has not been easy or bloodless. Ford is still the largest private sector employer in Merseyside but it had to shed 3,500 jobs from its peak in 1983 of 12,500. Ellesmere Port's workforce shrank to under 5,000 employees and some 2,000 at GM's Delco electronics on Merseyside from a peak of over 12,000 in 1971.

Both plants saw components manufacture shift to other plants partly as the global car production concepts blossomed but also because of the poor comparative productivity and labour relations. Ford engine production moved to Dagenham in Essex and Bridgend in Wales; Vauxhall engines to Australia and West Germany following a three-month strike in 1979; Vauxhall transmissions to Isuzu in Japan.

Most importantly for Merseyside, however, GM and Ford management have regained confidence in the area. Ford is in the middle of a £600m four-year investment programme ahead of the launch of its new Escort next year. It is installing a giant triaxis press, which will add flexibility in the *changing of stamping dies,* and it has built a single overhead assembly line replacing what had been in place since 1963.

The investment is clearly a vote of confidence in Halewood, which with Saarlouis in West Germany, has built the Escort, Britain's number one seller, since its introduction in 1968. It is operating close to capacity of 1,200 cars a day.

Vauxhall, now running at a capacity of 600 cars a day, is investing £100m in a new paint shop.

It has adopted a modular assembly operation so that the dashboard console is now put together outside the semi-assembled car shell, reducing the opportunity for paint scratches and loosely assembled components. And it has introduced automatic guided vehicles for component assembly.

What really changed Ellesmere Port's fortunes was the introduction in 1981 of the Astra among the new range of 80s' cars. Before then the plant was using "a lot of people to make a lot of cars that people did not want," the company says.

From eight per cent of the British market in 1979, Vauxhall has build a 16 per cent share in 1988, helped by the new Astra introduced in 1984. Its next generation Astra is due to be launched in 1991.

Vauxhall has also adopted new work practices. In the middle of the Ellesmere Port assembly plant is a gleaming "competitiveness center" like a car showroom where every shop floor worker spends an hour a week studying scratches, paint bubbles and loosely fitted tachometers.

There is a noticeable lack of Japanese-style *quality* reminders and invocations to hard work. Only a few signs with messages such as "Build with care means no repairs" are visible on the factory floor but quality is clearly being emphasised as the only way to see off the new Japanese competition.

Ford claims the Halewood plant is no longer "the thorn in its side", but a "jewel in the crown". It is a claim that says nothing about the troubles from which the company has now climbed.

Both Ellesmere Port and Halewood do not appear to have proved conclusively to their boards that they are competitive with their European counterparts, an important consideration when divisions are competing within the group for investment funds. Both plants, while not happy to release specific figures, admit their productivity is inferior to continental Europe.

Furthermore the plants have not been chosen to test-run just-in-time stock delivery or *flexible* work *shift practices*. West German plants have stolen those honours. Added to which much of the investment in Ellesmere Port and Halewood, though state of the art, merely brings the plant up to date with what is already in place elsewhere. Ford's production line that dates back to 1963 and Vauxhall's presses which are 25 years old are cases in point.

This problem stems partly from not investing in greenfield sites, a problem Japan's new investors in the UK do not face. The new *plants* in *Sunderland*, where Nissan plans to make 200,000 cars a year by 1992, in Derby where Toyota will be building 100,000 cars by 1995, and in Swindon where Honda plans on 100,000 cars by 1994 are a constant goad to management and the workforce.

What Ford and Vauxhall both recognise is that the recent years when margins have been fat in the UK market for them and the dealers may be coming to an end.

Stewart Dalby investigates the slow revival of the docks

Cloud lifts and outlook looks fair

EARLIER this year the outlook for the Mersey Docks and Harbour company, which controls the large main port in Merseyside, looked good. In 1988 the company had significantly increased its profits (by 56 per cent) on only marginally increased turnover. The Government had agreed to write off more than £100m in repayable *grants, and said it would* sell its remaining 20 per cent equity holding so the company could become fully privatised. An important capital reorganisation had taken place.

There was just one large cloud on the horizon. The threatened dock strike over the abolition of the national dock labour scheme could recall the bad old days of chaotic industrial relations, sap customer confidence and drive vessels off to non-scheme ports. A protracted stoppage could mean the long hard climb to profitability could be stopped in its tracks.

Back in the early 1970s, the Docks Board, a sheltered company as it then was, came close to financial collapse and had to be rescued by the Conservative government of Mr Edward Heath. In those years it had a dreadful reputation for industrial relations. In 1972 Liverpool docks lost 250,000 man days through strikes. When Britain joined the European Community in 1973 the thrust of trade moved away from Britain's west coast and the Americas to the east coast ports and Europe. Not only had Liverpool become an expensive port because of its fractious workers, it *also lost trade* because of geography.

History looked like repeating itself this year. The company did lose business as shippers diverted cargoes to either non-scheme UK ports or to continental ports to avoid the strike. The company's interim statement for the half year to June says it reckoned it lost £1.9m in revenue. Without the losses turnover would have been up 11 per cent.

As it was sales went up by 4.3 per centfrom ££26.8m to £27.9m. Profits for the period would have been 23.4 per cent higher over the comparable period at £3.2m except that £1m was put aside as an exceptional item to deal with the effects of the strike.

In the event the company's worst fears were not realised. It is true that the Liverpool dockers were the last to go back to work after the strike collapsed. But the management felt that they had, eventually, faced economic reality and accepted the scheme was over. The late return to work was one last defiant gesture by workers who had always thought of themselves as more macho and class-solid than their counterparts in other southern ports.

Mr Eric Leatherbarrow, the head of "communications" at the company says relations with the dockers have been much better than the public perception suggests. The company had been the first port concern to negotiate a two-year deal, he claims. There had not been a major strike in five years until this year.

When the crunch came all those who left went voluntarily; there were no forced redundancies. Many of those who departed may one day find themselves among the huge number of unemployed on Merseyside. Unemployment among male manual workers is put at 25 per cent. In the 1970s there were some 14,000 dockers and at least 70,000 jobs were indirectly dependent on the docks. The days when the port was the major employer and jobs were passed from father to son under the scheme are gone. This is a matter for regret in some quarters, but for the company this great improvement in productivity has been mainly responsible for its return to profitability.

Before the strike some 1,300 dockers were employed at the port, 1,000 by the Docks company and the rest in independent stevedoring companies as registered dock workers (RDWs). Business by volume increased in 1988 to 19.5m tonnes from 10.2m tonnes the previous year, or almost double. This meant the port was doing the same level of business as in one of its heydays in the 1950s but with only a fraction of the labour force.

A glance at the company's annual report gives a rough guide to the extent of the savings. Pre-tax profits were up 56 per cent at £5.9m compared to £3.8m, but turnover was only marginally improved *at £55.2m compared* with £53.9m. Net earnings per share were much higher at 29.3p against 18.8p but accumulated tax losses (currently being contested by the Inland Revenue) meant a very low tax bill. The largest single item in costs of sales was cargo handling, which in 1987 was £24.9m compared with £23.6m, a drop of £1.3m, although there were also savings in maintenance and administration.

As a result of the ending of the scheme the number of dockers in the port will be 900; *of these 700 will be employed* by the Docks company. It also employs 1,000 other workers for maintenance, although *much of the engineering work* is now contracted out.

Mr Trevor Furlong, the chief executive of the Mersey Docks company, feels the termination of the scheme means great opportunities for the port. Without in any way claiming victory for the management, he says "we already are showing great improvements in productivity".

It is not so much a matter of the actual head count on the docks as the new working practices. The company has asked the dockers what work they want to do and assigned groups to specialised jobs. There is greater flexibility in hours worked. "We now get eight hours work for eight hours pay," Mr Furlong says. "And we do not give fall-back pay."

If labour productivity is the main reason for better times, it is also due in part to the company's willingness to seek out business. Unlike many ports Merseyside operates a whole range of activities, from Ro-Ro, *to containers to oil to bulk liq*uids to grain. It now claims to be the largest exporter of scrap metal in Europe apart from *Rotterdam. It imports more* grain than any other UK port. It is a major port for edible oils and fats. Its container services have just been expanded, and it is greatly increasing its trade with Ireland. It claims to be the major UK port for trade with the east coast of the US and for trade with China.

It also has, to date, Britain's only successful freeport. Since the free zone was started in 1984, it has handled £300m of goods from 80 different countries. The freeport takes up 600 acres of the Docks company's 2,000 acres on both sides of the River Mersey. The idea of a freeport is that traders can ship goods free of import duties and VAT *so long* as they remain in the zone. So far most of the companies are involved in warehousing and storage, but one or two have started manufacturing for value added purposes. There are 14 companies operating in the freeport, although hundreds of traders use them. The freeport is a profit centre in its own right, and is expanding its area.

The company reckons that more than 75 per cent of its acreage is used for port purposes, with some of the rest it is now going in for property development.

The Princes Dock close to Pier Head and the refurbished Albert Dock is being trans*formed into a residential*, retail, and commercial complex in conjunction with P&O Properties. This development could cost £200m. At the Waterloo Dock, a little to the north of Princes Dock, Barratt Developments is transforming a former grain warehouse and dock into a waterside residential village. Further north still, Ollerton Development has been granted an option which could lead to regeneration of Stanley Dock, the centrepiece of which is an old tobacco warehouse.

On the Wirral side of the Mersey the John Mowlem Group is creating an 88 unit business Park from the old Woodside lairage.

All these joint ventures should yield very good returns for the Docks company in due course.

Although the Mersey Dock and *Harbour Company* is the dominant force which dwarfs other operators, the Mersey estuary does also contain Garston docks, *owned* by Associated British Ports, and port operations of the Manchester Ship canal between Runcorn and Ellesmere Port. These operations, although small, have apparently been profitable. What direction Garston port, in particular, will take is not clear. The dockers there took redundancy, and how the port will now operate remains to be seen. One suggestion is that boats will bring their own labour.

Jan Robinson examines Liverpool University's changed image

A down-to-earth approach

LIVERPOOL University has dragged itself out of the cloisters under the leadership of Professor Graeme Davies, the vice-chancellor, a well-known and well-liked figure locally, who has made backward-looking policies a thing of the past. Student applications, which suffered in the Hatton era, are trending upwards again, together with research funding.

The award, in February 1988, of an Interdisciplinary Research Centre (IRC), to pursue the study of surface science, confirmed Liverpool University as an international centre of excellence.

With a background as a materials engineer, Prof Davies came to Britain from New Zealand in 1982. Having spent time at Cambridge and Sheffield University, Davies came to Liverpool in 1986, attracted by the diversity such a large institution could offer.

In 1986, the University Grants Committee (UGC) had criticised Liverpool for being too inward looking and not exploiting its resources. Prof Davies saw several areas that were ripe for improvement. These included substantially changing the research profile and taking the university out into the community. "We did seem to be in the position of being 'ivory tower'," says Prof Davies.

In terms of research grants and contracts, income has increased from £8m in 1985 to £18.1m this year, taking Liverpool from 19th in the league table of universities into the top 10 in this area. Prof Davies sees this as a major step forward, emphasising research as the top priority. "To my mind a university is not a university unless it has a very strong research base."

The vice-chancellor was pleased with Liverpool's overall grading of 3.3 (out of a maximum 5), in a recent exhaustive investigation by the University Finance Committee (UFC) on the standard of university research, in which Liverpool came fourteenth.

"Part of my pleasure with the results is that it shows that there is an improvement, and I can see it reflected in those areas where I know there has been a sharp change in the research programme," says Prof Davies.

Two major assessments by the UGC since 1985 illustrate Liverpools' position as a centre of excellence. The IRC was one of only four awarded, the others being in Cambridge, Oxford and Glasgow.

An identification of six mainstream departments of earth sciences came up with Cambridge, Oxford, Edinburgh, Manchester, Leeds and Liverpool. The only three universities on both lists were Cambridge, Oxford and Liverpool.

The IRC was particularly gratifying to Prof Davies because it confirmed the strength of Liverpool in surface science, which ties in with the industry on Merseyside.

The prestige of the centre has allowed the recruitment of top quality staff and the setting up of a research school very quickly and the increase in research activity will be reflected to the world outside.

With such an emphasis on research, is staffing a problem? The "brain drain" and the bitter pay struggle of the past year are pressing issues in university circles.

Liverpool has had its fair share of academic staff being poached, both by industry and institutions abroad, but particularly regrets those who go overseas, as they are completely lost. Prof Davies considers it ominous that some US institutions regard Britain as a resource to make up its shortfalls. "You're training very good people in the real leading edge areas, and they disappear," he says.

Because the IRC can match any other facilities abroad in this field staff are not expected to be lost too quickly.

Prof Davies also sees some hope for the situation in a wider sense, with more flexible funding and in the priorities of staff themselves.

"I think a considerable number [of staff] are not strongly motivated by financial reward as such. They like to balance a sensible degree of financial reward with the real intellectual opportunity that curiosity research provides."

Attracting the right students may also be increasingly difficult. Although student loans should benefit a lower cost centre such as Liverpool, Prof Davies is uncertain about the scheme as a whole.

"The thing that really worries me terribly about the student loan system, is that I believe quite firmly that it will disadvantage the lower social group candidates, who have been gradually increasing in numbers," comments Prof Davies.

Professor Graeme Davies

Cannot a scheme that works well in other countries, work here? Prof Davies says: "In most countries you will find that the added value for being a graduate is greater proportionally, than it is here." He believes that student overdrafts in thousands rather than hundreds will put people off higher education altogether.

However, he does foresee a way out. "If there were to be a loan scheme, it should be one that is income triggered, which is paid for through National Insurance ... so there is an automatic system that collects it and is linked to your added value." Students who never work would be an affordable exception, he suggests. "The cost of the loan scheme as it is currently presented does seem to indicate that it would be better just to enhance the grant system," he believes.

Prof Davies is also wary of funding systems that are demand led, believing they are unworkable in some departments because of manpower constraints and the need to safeguard basic research. In principle the university agrees with bidding for students, but, "the UFC should adopt the type of sensible approach that the polytechnics and colleges' funding councils have done, where there will be 95 per cent funding and you will bid for the 5 per cent."

Prof Davies also feels the involvement with the community has been a triumph, confirming the university as a resource for Merseyside in terms of student spending power and in the availability of research facilities.

INTERDISCIPLINARY RESEARCH CENTRE

University's prestige award

IN FEBRUARY 1988 the establishment of an Interdisciplinary Research Centre (IRC) in Liverpool for the study of surface science, was announced by the Science and Engineering Council (SERC), and was seen as a great feather in Liverpool's cap.

Only four such centres were awarded at the time in the UK, the others being in Cambridge, Oxford and Glasgow. As well as prestige, the centre is also important in terms of research and teaching.

The award meant an overall injection of £10m into the university over six years, mainly into the physics and chemistry departments.

A general definition of surface science is difficult as the field sits between a number of subjects in the university context.

The centre's work is divided into four main areas: catalysis, gas surface dynamics, interfaces and semiconductor surface chemistry, and properties of oxide surfaces.

The field is important technologically as the surface of material determines its interaction with the environment. Many technological processes depend on the interaction between surfaces, with examples in computer and microchip technology.

Since getting the initial grant 14 months ago, a vacant building on the university campus has been completely refurbished and staff appointed, although some research has been done in the meantime.

Apart from the building, other factors in Liverpool's favour were: the perceived excellence of the surface science team, the concentration of resources at Liverpool, (other bids involved consortia of six or seven universities, whereas the Liverpool bid involved two, the other being Manchester), together with it's democratic approach.

An already large amount of surface science equipment has been expanded by a factor of three, with staff numbers up from 12 to 80 and plans are currently ahead of schedule.

Professor Peter Weightman, assistant director of the centre, has found that being on the administrative side and starting a new department has been "a constant battle ... in that you are trying to appoint senior staff on salaries that are not competitive with industry, and trying to get people back from America".

The centre's life is guaranteed for 10 years, with a six-year review of the grant, on which the final four years of funding depends.

At the end of 10 years the centre will have to be self-financing and will therefore have needed to direct the research towards self-supporting projects which attract industrial funding. So a careful balance between pure and applied research is planned.

Prof Weightman comments: "The most important thing is to have faith in your own decision, because no one else will." However, explaining how industry will benefit will require keen business acumen.

There are no formal links with industry as yet, but there has been a lot of interest, and external sources of support already exist from BP, ICI, Johnson Matthey, Courtaulds and the EC Science Programme, among others.

Patents could be a possibility in the design of scientific equipment, after some success already, and be a valuable money spinner when the centre is self funding.

However, rather than pursuing patents, and the bureaucracy that it entails, Prof Weightman sees their main work in other areas. "Our role is strategic research, for companies that are interested in the contribution surface science can make to their productivity and their products.

"What we have set our minds very much against is short-term, one-off contracts ... which would pull our research programme all over the place, for very little return." Prof Weightman believes that some other groups doing this have lost their scientific edge.

Setting up a department, with such a high-tech profile, has brought its own problems. Apart from attracting the right staff, the logistics involved has been something of a headache.

Being a scientific set-up, most of the space was given over to laboratories, before it was realised that administration space would be needed as well. As a result a floor of offices was added to the building at a cost of 300,000.

The IRC has also had to be very careful not to be seen as above its parent departments of physics and chemistry, or to alienate itself from them, the university as a whole or the SERC. The departments have had to be compensated for their loss of resources which have gone into the centre.

Fortunately, heads of department and the vice-chancellor took a long-term view, feeling the prestige of the centre would outweigh the disadvantages of setting it up.

Jan Robinson

LIVERPOOL POLYTECHNIC

New lease of life

THE polytechnics were given a new lease of life in April this year when they ceased to fall under local authority control. Liverpool, perhaps more than any other, has a lot to gain, and is already seeing something of a turnround in its fortunes.

Professor Peter Toyne came to the Polytechnic as rector at the height of Liverpool's financial crisis in 1985 when, as he says, the city was "virtually on its knees". The entire Polytechnic staff had been made redundant and the institution as a whole was threatened with closure due to Liverpool City Council's failure to set a budget.

Such incidents are now unthinkable and the polytechnic is gearing itself up for a new academic age, with Professor Toyne seeing himself as the head of a large company.

At the time, financing was seen as a secondary problem to that of management, so much so that the Council for National Academic Awards (CNAA) threatened to withdraw its approval of the institution, because it believed there was no proper management system in place, the academic board appeared not to be in control of academic work, and there was political interference with the Board of Governors.

There was a massive backlog of investment which manifested itself in dirty, shoddy buildings and outdated equipment. Once out of local authority control, Prof Toyne identified the initial objectives as: "More immediate responsiveness, being able to make sensible decisions, and, above all, to see where the future lies and to establish real priorities."

This year's budget of £37m can now reflect the needs of the polytechnic, whereas under council control, they were not always first priority.

Liverpool Polytechnic is now very conscious of its image, and a radical change in course provision is being nurtured. The strategic plan for 1989-92 talks of "total quality and the highest possible customer and client satisfaction through delivery of ... high quality products and services at a competitive price". The Polytechnic sees itself as one of the leaders in taking higher education into the realm of modular learning and credit accrual courses. The widening of routes into further study, particularly for those people without trading qualifications, remains a priority.

The Credit Accumulation and Transfer Scheme, (CATS), allows students more flexibility in the length of time taken for study. Moreover, life skills which do not have to be re-taught can count towards a formal qualification.

For example, a woman who had a family early in life and therefore missed out on further education would be able to gain credits in the fields of child care or child psychology.

Within a few years all courses at Liverpool Polytechnic are expected to be taught this way. Students will be able to design their own courses on a pick-and-choose basis of modules, with the Polytechnic putting on new courses to meet demand.

Crucially, as Prof Toyne sees it, this approach will take course provision out of the hands of the academic board, and into the hands of the consumer. "We want to mark up front the fact that we are in business to serve the customer."

Stuart Melhuish, president of the students union last year and now the Polytechnic's corporate relations officer, comments: "We're tying ourselves in very much with the regeneration of Liverpool."

Whether this approach is popular remains to be seen but, as the fourth largest Polytechnic, Liverpool had the second largest number of applications for places in the UK last year. Students will see a marked change when they return for this academic year. One outlying building has been sold and the courses transferred without any reduction in student numbers.

The Polytechnic is getting its first purpose-built teaching building to be opened this year in the town centre. It will house the Intergrated Degree System (IDS), the forerunner of CATS, which incorporates the social studies and combined degree courses.

Careers and chaplaincy facilities, formerly housed in the students union, have been transferred to a new student services section in a converted primary school.

Student accommodation, also a problem in the past, has been somewhat relieved by a brand new halls of residence at Cathedral Walk, built in the shadow of the Anglican cathedral, near the city centre. So, for the loss of one building, the Polytechnic has acquired three, with more rationalisation in the pipeline.

Jan Robinson

Robert Waterhouse reflects on a proud sporting record

Hillsborough casts its shadow

AFTER Hillsborough, sport will never be quite the same on Merseyside. The tragedy of Heysel, remembered by a simple plaque in the directors' suite at Anfield, brought shame to the former European champions and has removed English clubs from the Continental stage. But the Hillsborough deaths hit home much harder.

One lifetime Liverpool supporter, a successful businessman in his thirties, who helplessly watched the Sheffield events from across the ground, says he will never again take his two young sons to Anfield. He does not want them to grow up with the same passions he lived out until that sunny April Saturday.

Peter Jackson, partner in a Liverpool law firm and vice-chairman of the Football Supporters' Association's Liverpool branch, represented the FSA at the Hillsborough inquiry.

He believes that crowd safety must replace crowd control as the authorities' principal objective but he does not agree with Liverpool FC's stated long-term aim of converting the Spion Kop terraces to seating. "Terraces are not the root of the problem," he says. "We should be looking at entrances, exits and numbers' monitoring."

Liverpool FC's chief executive, Peter Robinson, agrees that the club will have a fight on its hands to change the Kop, where people still stand on the spot once occupied by their fathers, grandfathers and great-grandfathers. Since Hillsborough, numbers have already been reduced from 21,500 to 16,000. Mr Robinson stresses that a decision to replace the terraces will only be taken if consensus is reached.

Anfield is about to change, however. There are £6.5m plans to reshape the Kemlyn Road stand, building it back and up to include 45 executive boxes – something Liverpool FC has so far resisted. The club is attempting to improve facilities while reducing capacity from 39,000 to an all-seater 37,000. That is the best it can do on a site surrounded by Victorian terraced streets.

Mr Robinson was an enthusiast of proposals first discussed in the late 1960s to build a new stadium serving both Liverpool and Everton on the copious open space at Aintree. Aintree still has space, and its existing amenities are underused; the logic of a shared stadium has grown with car ownership; but Mr Robinson says the two clubs could never afford the £50m building cost. And the land occupied by Anfield or Goodison Park is not that valuable, he suggests.

Liverpool FC, the most successful League club in the post-war era, made a net loss of £221,693 in 1988-89 compared with a profit of £327,064 the previous year. This was a season when, under the management of Kenny Dalglish, they won the FA Cup and were close runners-up for the First Division title, but it included transfer fees of £1.8m and staff costs of £3.494m on a turnover of £5.973m.

Three employees earned more than £185,000 each. Such is the price of success, though in a major club context Liverpool buys and spends prudently.

The economics of Anfield are based on full houses throughout the football season

The economics of Anfield are based on a succession of full houses throughout the season; at Aintree, the management pits nearly everything on the three-day meeting attracting 100,000 people the climax of which is the Grand National. John Parrett, the Clerk of the Course, says it has been policy since the Jockey Club took over six years ago to develop and improve facilities for the "core business" (the National).

"The National is the key", Mr Parrett argues, "but we are now starting to look at other areas." A new £3m grandstand, due to be completed for next April, will give Aintree a year-round conference centre and venue for corporate hospitality. It should also take some pressure off the temporary facilities which cost £500,000 for each National but which would not be justified by smaller crowds at a November meeting many want to see restored to the Aintree calendar.

"Aintree has to trade in a realistic environment," says Mr Parrett, claiming that as a world-class event the National brings influential people to Merseyside. At the other end of the spectrum, there is some sort of activity – often very localised – at the course for 200 days of the year using amenities such as the car club racing circuit.

Merseyside's other racecourse, also owned by the Jockey Club, is also benefiting from a new stand – but it could hardly be more different. Framed by the M6 and the East Lancashire Road, Haydock Park has emerged as the north-west's busiest venue. In the new stand, Tattersalls customers will be able to view screens showing satellite pictures of other meetings around the country. There are to be year-round conference and banqueting facilities serviced by a new £500,000 kitchen. Extensions are also under way at the nearby Post House Hotel.

Merseyside Tourism Board does not yet have a breakdown of sport-related spend. Events such as the National, or the Open in its sporadic visits to Royal Birkdale (claimed to be the tour professionals' favourite golf course), make life very hectic for hoteliers and hot-dog salesmen while they are on. Wirral Borough Council, unblessed with major historic venues, has taken an opposite course in marketing a sequence of substantial attractions around its theme of "The Leisure Peninsula".

This season, Wirral has staged the pre-Wimbledon international lawn tennis tournament at Aston Park, West Kirby; world dinghy team racing and international speed sailing at Marine Lake, West Kirby; the Ladies Amateur Open and English amateur stroke-play championships at the Royal Liverpool Golf Club, Hoylake; and the Wirral international power boat festival along with the British Open water ski championships at New Brighton.

The borough also ran a fortnight of participation events during June, and a variety of leisure attractions. The result of such a programme, suggests Ray Wood, the borough's assistant director of leisure services, is that hotel bed occupancy is above the regional level, with interest being shown in new investment, and that assets such as the Marine Lake at West Kirby are far better used. The borough issued 10,000 marine licences for the lake this year compared with some 4,000 before the promotions took place.

Sport and leisure is a significant generator for the dockland areas of Liverpool, Birkenhead and New Brighton which fall within Merseyside Development Corporation's designated areas. Here again, there is an increasing concentration on water-based participation sports, which help form a lively backdrop for the millions who visit Albert Dock each year.

The development corporation is represented on Manchester's British Olympic bid committee for the very good reason that the successful bid would utilise Merseyside's water resources. It would also create at least one major new stadium in Liverpool.

Kenny Dalglish: successful manager of Liverpool FC

Stewart Dalby on tourism

A catalyst for regeneration

AT TIMES it seems that Merseyside has an obsession about tourism and leisure. Officials at the Development Corporation, the Merseyside Tourism Board and, to some extent, the City Hall give the impression that as an industry tourism is like some kind of life raft which is going to carry the area away from the physical dereliction, the material decline and the psychological isolation much of it feels because of its bad image as a crime-ridden, strike-torn, racially-tense, down-at- heel metropolis.

This new preoccupation with tourism as an economic saviour can be traced to the success of the garden festival in 1984. Although it was only on for a few weeks 3m people attended.

The realisation that large numbers were prepared to visit Liverpool in spite of the perception of an often violent northern industrial city in straightened circumstances, made the authorities look at its assets and see what could be done with them.

With the decline of old industries tourism had by the early 1980s increasingly begun to be seen as an important money earner, both nationally and sectorally. Nationally some £15bn was being earned from tourism by 1985.

Like so many ports or river towns, Liverpool had a stock of warehouses and factories which had fallen into disrepair. Too good to be demolished – indeed, in Liverppol as elsewhere many derelict waterfront buildings are listed – they make attractiveresidential, commercial or shopping blocks.

The centrepiece of the regeneration of the Liverpool waterfront is the Albert Dock. Built in the 1840s, it is the largest collection of grade one listed buildings in the country, according the to the Merseyside Development Corporation. The Corporation poured millions of pounds into refurbishing what was a very neglected dock indeed. There was 30 feet of silt, ground pollution, bad road access and many other problems.

Eight years later it is a community of shops, restaurants, wine bars, museums, including the Maritime museum, the Tate art gallery, and offices. It also houses Granada television studios.

There is a riverside walk from where it is possible to watch the famous ferries plying their way across the grey Mersey

It is on the same stretch of land as Pier Head with its three imposing Victorian structures.

The Albert Dock is thought to be the largest riverside regeneration scheme in Europe.

A revitalised central waterfront, however, is not the only reason for visiting Merseyside. There are six other major museums beside those at the Albert Dock, including the world famous Walker Art gallery, the Lady Lever gallery at Port Sunlight, the Liverpool Museum and the Large Objects Museum.

Liverpool has at least 1,000 listed buildings, including two cathedrals. It is an eminently Victorian town and although, like Belfast, many of the grand builings now have a sombre loneliness which is redolent of departed grandeur, they are attractive for all that.

There are two famous First Division football clubs, Everton and Liverpool, any number of golf courses, both on the Liverpool side and on the Wirral peninsula. On Wirral, there is pleasant countryside for hiking and some beaches. There is the resort of New Brighton, admittedly now a little faded, but just half an hour away is the more genteel town of Southport, which is considerably less raucous than Blackpool.

There is also the Beatles industry. Their appeal worldwide is remarkably enduring nearly 30 years after they played in the clubs of their home town. A recent survey estimated that 18 percent of all Merseyside's staying visitors, a significant proportion from abroad, came because of the Beatles.

Merseyside has done well out of the tourism industry. The last time a major survey was undertaken was in 1985 as part of an Economic Impact Study of Tourism and Associated Arts Developments on Merseyside (DRV Research).

It found that some 19m people visited Merseyside for pleasure(43 per cent), on business (9 per cent) and for personal/familybusiness (48 per cent). Of these about 1.8m stayed overnight and 17.2m were on a day trip. In total, all visitors to Merseyside in 1985 spent £223m. Of this, staying visitors accounted for £101m. Net income to Merseyside resulting from this £223m spending was £32m. (Net income is defined as locally retained wages, salaries, profit and rent, net of tax and national insurance.)

Tourists to Merseyside who stayed overnight spent £42m resulting in £7.8m of income to, and 3,325 jobs for, residents of Merseyside. For day visitors for pleasure the respective amounts were £53m, £6.5m and 3,010 jobs.

The appeal of the Beatles worldwide is remarkably enduring nearly 30 years after they played in Liverpool clubs

At the time of the survey tourism, broadly defined, accounted for just under 14,000 jobs. There were 15,000 bed spaces, including the university, and hotel occupancy had been as high as 67 per cent. One in five staying visitors were from abroad. The Japanese, it seems, are very keen to visit Beatle city.

Mr Samir Rihani, the chief executive of the Merseyside Tourism Board, estimates that visits to attractions have increased by 15 per cent a year. It is probably safe to say, therefore, that today there are probably around 3m staying visitors and some 10m day visitors. Tourism is certainly an important new source of income, and is probably the number one growth industry in the county. But it is idle to pretend that it is going to solve Merseyside's unemployment problems. The 62,500 unemployed manual workers are not about to become waiters and barmen overnight, if at all.

As Mr Rihani says, "it would be foolish to look upon tourism as the panacea for all Merseyside's problems".

The emphasis at the Tourism Board is accordingly now changingto stress the wider implications of tourism.

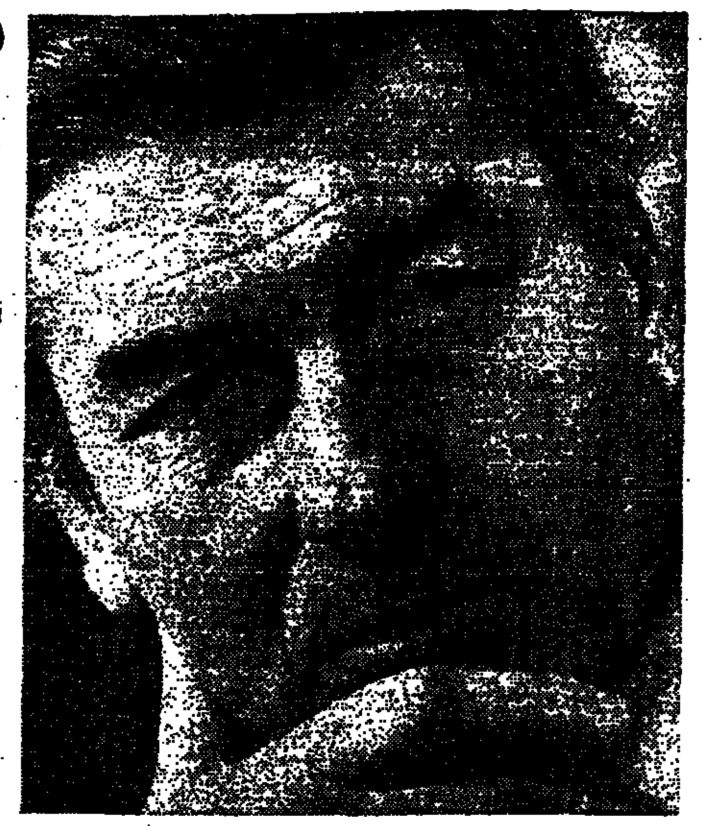
The Tourism Board is now concentrating on getting people to stay in Merseyside rather than just visit. The idea is that the more Merseyside is perceived as a tourist destination the more it will complement efforts to attract industrial and commercial development, and also attract company directors, executives and their wives and families to Merseyside.

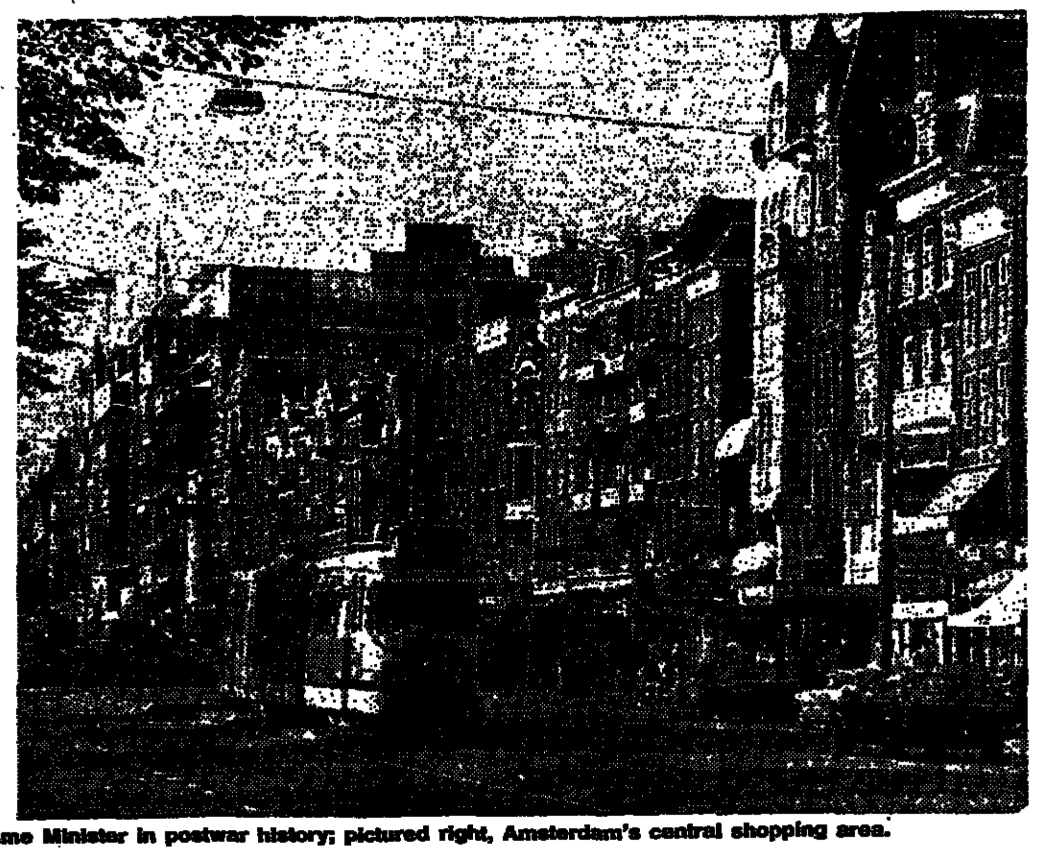
Mr Rihani says: "The tourism board is a bit of a misnomer now. We have a much broader function, which is to show people that Merseyside is a place in which to invest and live." The Board's most recent video is "Getting to Know Merseyside", which looks not so much at visitor attractions but the quality of life and work which the area offers.

SECTION IV

FINANCIAL TIMES SURVEY

At a time of economic buoyancy, the Netherlands is now focusing fresh attention on the urgent task of cleaning-up the environment and tackling the problem of unemployment, as Laura Raun reports here.





Mr Rudd Lubbers, above: perhaps the most powerful Dutch Prime Minister in postwar history; pictured right, Amsterdam's central shopping area.

CONTENTS

Pictures by Alan Harper.

The Netherlands

A subtle shift to the left

AS THE Netherlands heads into the 1990s it is swinging gently to the left in search of a fresh approach to the social ills and environmental imperatives of a rich member country of the European Community.

Mr Ruud Lubbers, perhaps the most powerful Dutch Prime Minister in postwar history, will lead the new centre-left coalition government of Christian Democrats and Socialists that is expected to take office soon.

The Dutch want Mr Lubbers' firm hand on the tiller and Labour's fresh wind in the sails.

"There is much that we (Christian Democrats and Socialists) can and must do together," Mr Lubbers told the party faithful during the recent election campaign. "I am the first to say now that prosperity has been restored, the growth of that prosperity should be used for things which will benefit society in the future."

Many are hoping for seven fat years following the seven lean years of Mr Lubbers' centre-right coalition of Christian Democrats and Liberals, which collapsed last May. His "no-nonsense policies" helped fuel the present robust economy but those sacrifices must be rewarded, argue these voices.

To speak of a clear change of course to the left, full of vision and hope, would be crass overstatement. As in Norway, the political direction is ambiguous, which may be attributable to a Europe on the brink of genuine change.

The ambiguity also reflects doubt about just how fat the coming years will be: state debt is soaring; taxes and welfare premiums combined are among the heaviest in the world; the long-term unemployed are alienated; for every working person contributing taxes there is another being supported on welfare benefit; and the environment is dangerously polluted.

Queen Beatrix warned in her annual speech from the throne on September 19 that pollution must be attacked but without jeopardising international competitiveness.

"There are no painless solutions," she declared in the speech written by the Prime Minister: "Limits must be placed on the growth in traffic. At the same time, we are aware how important it is to our prosperity that this country should remain the gateway to Europe and should continue to be able to perform its distribution function."

Mr Lubbers is loth to fritter away the hard-won gains of his first two terms. Already the longest-serving Dutch Prime Minister in 30 years he is in a position to dictate much of cabinet policy by virtue of his immense popularity and his party's record strength.

The Socialists, for their part, are caught in a dilemma. After more than a decade in the political wilderness of the opposition benches they have cast themselves as pragmatic partners worthy of power.

However, in the early elections on September 6, Labour lost three seats, suggesting voter-skepticism and placing the party even more at Mr Lubbers' mercy.

Led by the practical Mr Wim Kok, the Socialists must nevertheless press for fresh initiatives to justify their presence. In the true Dutch tradition of compromise, the new cabinet is likely to share out the fruits of Mr Lubbers' earlier policies but is most unlikely to open the purse as wide as Labour wants. Both partners agree that social spending should rise but that the gaping government budget deficit must fall.

Superficially, it might seem that little will change under a centre-left coalition. Mr Lubbers will remain Prime Minister, his Christian Democratic Party will continue as the senior partner in the ruling coalition, and efforts to improve public finances will continue.

But things are changing. Mr Lubbers wants to go down in history as a Prime Minister who could chair a cabinet of more than one political hue. As an emerging European statesman he would prefer to cap his Premiership on a note of generosity rather than austerity.

A new trend emerged in last month's elections when the big winners were Green Alliance — a new group of four small, left-wing parties championing environmental causes — and Democrats 66 — an eclectic, slightly left-of-centre party born in the political ferment of the 1960s. But they were more or less barred from the bargaining table by the big parties. Dutch voters indicated that they want a cleaner environment, sensible social spending and more intellectual leaders — "a kinder, gentler nation," as Mr George Bush has said.

"You can't give large parts of society the feeling that structurally they don't belong," cautioned Mr H.H. Wijffels, chairman of Rabobank and bright light in the Christian Democratic Party. "People want to be valued for their contribution to the social system."

Certainly the incoming government will start with the economic wind behind its back. Gross national product will expand faster this year than at any time since 1976 and more than the European average for the first time in a decade.

Inflation remains an enviably low 1.5 per cent and job creation the highest in the European Community. Professor Frans Rutten, Secretary-General of the Economic Affairs Ministry, believes the Netherlands and West Germany are the two strongest economies in the EC at the moment.

KEY ECONOMIC INDICATORS
— *see page 2*
NETHERLANDS' BASIC STATISTICS
— *page 3*

Corporate profits are surging, business investment is booming and competitiveness is increasing, he explains.

"We are the best-prepared for new developments, to profit from new opportunities," he contends. The new cabinet will begin with a political agenda, topped by the environment issue. A wave of Calvinistic guilt about pollution has swept across the Dutch, prompting Mr Lubbers to warn that "environmental efforts are part of our stewardship."

Next year Parliament is expected to pass an ambitious National Environment Plan, which would slash pollution across the board — air, water and soil — by at least 70 per cent by 2010. The ecological blueprint is perhaps the most integrated approach to environmental pollution devised by any country, and probably the most costly — up to Fl 700bn in annual spending and fixed investments over the 20-year period.

The Dutch already spend more on preserving nature than any of the most industrialised countries — 1.34 per cent of GNP annually — and that could jump to 4 per cent in 20 years. This kind of money could torpedo hopes for seven fat years, according to Professor C.J. Schuyt, a sociologist at Leiden University.

"Simply due to the environment problem, it is wiser to talk about seven sober years, following the seven lean years," he argued recently.

An equally urgent topic facing the next cabinet is the welfare state. The Christian Democrats and Socialists agree that more must be spent on welfare benefits, education, housing and health care. But Labour wants to boost outlays by about Fl 9bn and the Christian Democrats only around Fl 2.5bn.

Manoeuvering-room is limited. Over the coming four years economic growth is forecast to slow, inflation to rise and government debt to climb. The Netherlands needs to get more in-step with the EC to preserve international competitiveness in the barrier-free Europe after 1992, according to many observers. Taxes and welfare premiums combined, social spending and the public sector are the biggest in the EC, while the working population is nearly the smallest, relatively speaking.

Fewer women work outside the home than any country in the Community, except Ireland and Spain. Estimates of physical and mentally disabled people are substantial — 734,000 people out of a population of 15m — nearly double the number of unemployed. A rapidly "greying" population means that almost one-quarter of the Dutch will be 65 or older by 2010.

Aside from economic and financial issues, ethical topics are also divisive. The Christian Democrats adamantly oppose two proposals: one, to legalise euthanasia; and the other to require equal treatment in education, housing, and other areas regardless of sexual proclivity.

At the end of the 20th century, the Netherlands seems as well-placed to face the challenges of the future as any time in the past 30 years. Economically healthy, socially cohesive and guided by a proven Prime Minister, the Dutch are confident about the brave new world of European unity.

The major question is whether the new partnership of Christian Democrats and Socialists can steer policy more effectively than the last one. They must simultaneously clean-up the environment, replenish the welfare system and improve public finances, probably at a time of stagnating growth.

It is a tall order — and one that will require all the skills that Mr Lubbers and Mr Kok can muster. Even more than business-like management skills, the task will require a dash of imagination and flair: commodities that seem lacking at the moment.

The Netherlands has one of Europe's best-managed economies

Economy 'under full sail'

FOR THE first time in more than a decade, the Dutch economy is really humming. It is growing by over 4 per cent in the current year – the fastest rate since the early 1970s – inflation is subdued, investment is strong and the rate of new job creation is more than twice as fast as the European community as a whole.

The guilder is one of the world's strongest currencies, reflecting the substantial improvement in the Dutch trade performance. Last year, for example, unit labour costs in Dutch manufacturing industry fell by more than 2¼ per cent, which meant that Dutch exporters could raise their profit margins, despite a firm exchange rate.

Algemene Bank Nederland's annual report summed up the substantial economic turnaround of the last five years by saying that the economy was "under full sail again".

The contrast with ten years ago could not have been more marked. Growth then was slowing rapidly, the balance of payments deficit was deepening and inflation was accelerating markedly. From being a country sporting above-average European growth, the Netherlands was stagnating and the term "Dutch disease," began to be used to as a rude description of any rich economy which was performing poorly.

By the end of the 1970s the Netherlands was gripped in a vicious circle. It was unable to break the cycle of weak international competitiveness and low profitability.

A high real exchange rate and extensive wage indexation meant that not enough jobs were being created to keep pace with a growing workforce. This led to a rising burden of public expenditure which tended to crowd out the private sector.

Labour mobility was low and the investment infrastructure was not responding quickly enough to rapid change. It was an economy full of rigidities associated with a workforce demanding a high and rising level of social protection. It could not be allowed to continue, but this should not be allowed to detract from the impressive economic turnaround which has taken place since the start of the 1980s.

Dr Frans Rutten, left, secretary general, Economics Ministry; and Mr Cees Van Lede, head of the employers' association.

The Netherlands has always been an open economy with substantial long-term strengths. A skilled and well-educated workforce, energy self-sufficiency and an unmatched tradition of international trade – these strengths are now being exploited and the long-term rate of Dutch economic growth is once again accelerating.

The reasons for the substantial transformation are not too

The guilder is one of the world's strongest currencies, reflecting a big improvement in trade performance, says William Hall

surprising and are well-documented in the latest annual report of the 175-year-old De Nederlandsche Bank (the Central Bank) and the Organisation for Economic Co-operation and Development's (OECD) latest survey on the country.

The OECD says that Dutch economic performance has "improved progressively" over the last five years and restored business profitability has gone hand in hand with higher investment in plant and equipment. It notes that the rise in Dutch wages and prices has been the lowest of the industrialised countries in recent years.

"These encouraging results owe much to wage restraint and to a progressively more favourable economic environment. But they are also the result of the reorientation of policies carried out since 1982.

"Firm monetary policies have been pursued, the main objective being to maintain the close link between the guilder and the deutschemark.

"Public expenditure growth has been curbed, with cuts on loans, credits and public investment as well as restraint on government wages and real transfers per capita," says the OECD.

At the same time there have been a number of micro-reforms aimed at reducing structural impediments to growth, most notably in the labour markets. However, the OECD tempers its congratulations by highlighting a couple of "nagging structural problems," namely the large public sector deficit and the high level of long-term unemployed.

These are both areas which could threaten the long-term health of the Dutch economy, especially since its recent recovery has relied so heavily on moderate wage growth and substantial productivity gains. A successful resolution of these problems will determine whether the Dutch really deserve the accolade of having one of the best-managed economies in Europe.

The most obvious danger is the conflict between the Government's commitment to reduce the tax burden whilst satisfying the growing environmentalist lobby. Public sector debt has been growing more rapidly than national income and higher interest rates make the task of reducing it all that much more difficult.

The public sector has a tradition of lax budgetary discipline and higher taxes reduces the promised growth in real disposable income, which is the main way that the Government has been able to keep the trade unions on its side. If this exacerbates the latent wage tensions and results in increases of over 3.5 per cent per annum, then the current economic outlook will look far less rosy.

Mr Cees van Lede, the head of the VNO – the employers' organisation – is reasonably optimistic – "the attitude towards business is much more favourable than it used to be", he says. But he admits that after seven years of wage restraint it is getting increasingly difficult to persuade the unions to moderate their wage demands, especially if unemployment is not falling.

One of his current concerns is the growing demand for a shorter working week. It was last cut from 40 hours to 38 hours in 1982 and there is now talk of reducing it to 36 hours. As in other European countries, the demand for a shorter working week is a thinly disguised effort to raise wages substantially and this is something which Mr Lede and his members think they can resist.

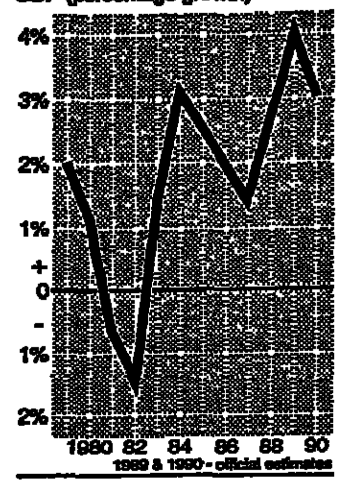
One senior Dutch civil servant describes the economic outlook as "beautiful, but fragile." The economy is not yet back to the golden days of the 1960s, but it is heading in the right direction. The worry is that the new Government will not be able to deliver on its promise to reduce taxation and bring down unemployment, the key to continued support from the unions.

The Netherlands is not used to dramatic change which augurs well for the future, but also means that there is always a danger that the undoubted economic improvements of the last few years may also be allowed to quietly slip away as labour demands an increased share of the national economic cake.

KEY ECONOMIC INDICATORS

A buoyant economy

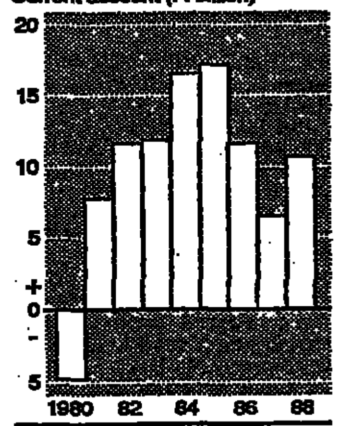
GDP (percentage growth)



■ The Dutch economy, which had grown by a below average 1.2 per cent a year in the period 1981-87, is growing faster than at any time since the early 1970s, and is now one of the fastest growing European economies.

Healthy balance of payments

Current account (Fl billion)

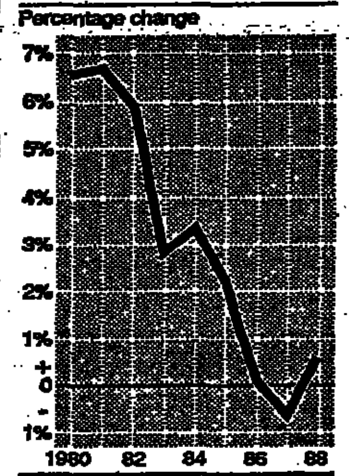


■ Trade plays a far bigger role in the economy than almost any other country. Despite a large deficit on invisibles, the Netherlands has run a current account surplus since 1981. Last year this amounted to 2.7 per cent of national income and is expected to rise gradually to around 3 per cent by 1994.

The surplus is not as big proportionately as that of West Germany or Japan, but the Netherlands is one of only a very few EC countries to run a persistent surplus.

Low inflation

Percentage change

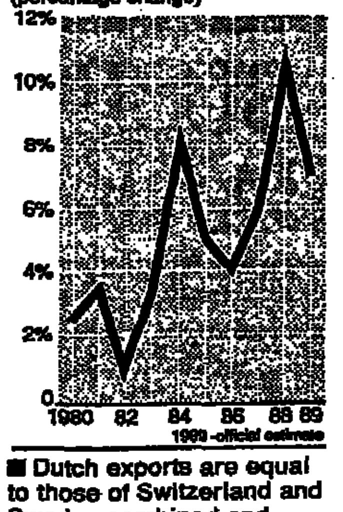


■ The Dutch have been far more successful than many countries in curbing inflation which was running at over 4 per cent per annum in the 1960s and more than 7 per cent in the 1970s.

Continued wage restraint over a prolonged period coupled with steady growth in productivity has meant that the Netherlands has one of the lowest inflation rates traditionally. Last year, only the Japanese had a lower inflation rate than the Dutch, although the Dutch performance has been flattered by the lowering in VAT rates.

Export - led growth

Export volume excluding energy (percentage change)



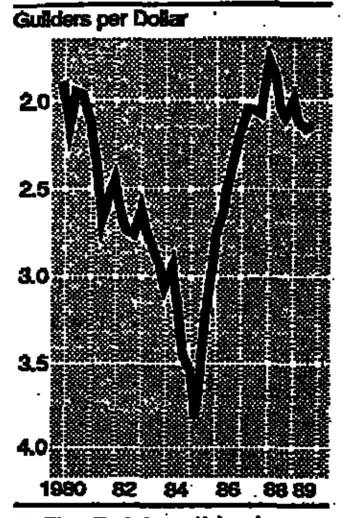
■ Dutch exports are equal to those of Switzerland and Sweden combined and almost the same as those of the Soviet Union.

The strength of the dollar and the upturn in world trade has clearly helped considerably given the Netherlands role as the distribution centre of Europe.

Sources: FT Statistics Dept. Graphics by Robert Hutchison.

Strong Guilder

Guilders per Dollar

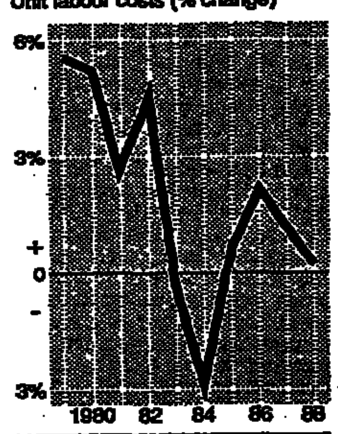


■ The Dutch guilder is one of the strongest currencies in the world, and its fortunes are linked closely to the German mark.

On only a couple of occasions over the past decade has the Guilder been allowed to devalue against the DM and both times it was regarded as a mistake. It is highly unusual for a move in official German interest rates not to be matched by the Dutch. Nevertheless, the market has long memories and Dutch interest rates continue to trade higher than West German rates.

Increasing competitiveness

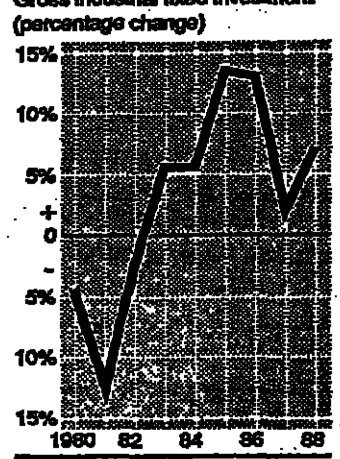
Unit labour costs (% change)



■ Over the last five years, Dutch unit labour costs have risen by about 6 percentage points less than those of its main competitors. This has led to a considerable improvement in the competitiveness of Dutch industry relative, to the UK, Scandinavia and Japan.

Investment boom

Gross industrial fixed investment (percentage change)

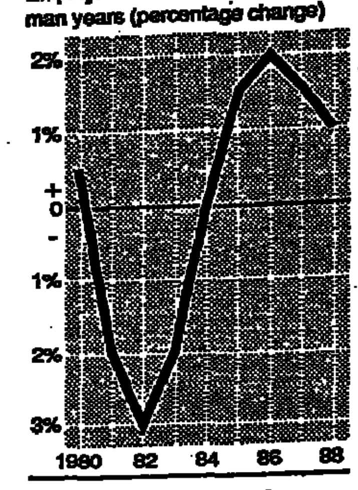


Industrial investment has been more prolonged and more substantial than in other industrialised countries.

Over the last five years the growth in industrial investment volume (excluding dwellings) has averaged nearly 8 per cent per annum, against less than 6 per cent in the OECD area, and the share of investment in national production has also shown the fastest growth rate.

Creates more jobs

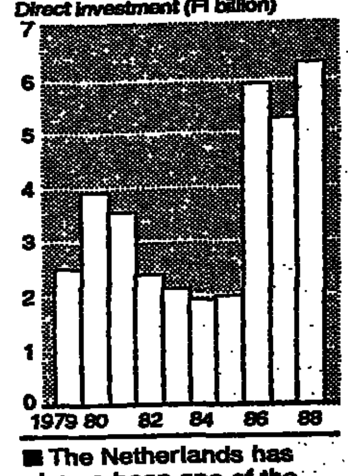
Employment in business sector - man years (percentage change)



■ Strong growth in the population aged between 16 and 64 has meant that the Dutch labour force has been growing faster than average and this is one of the reasons for the relatively high unemployment rate.

Attracts substantial foreign investment

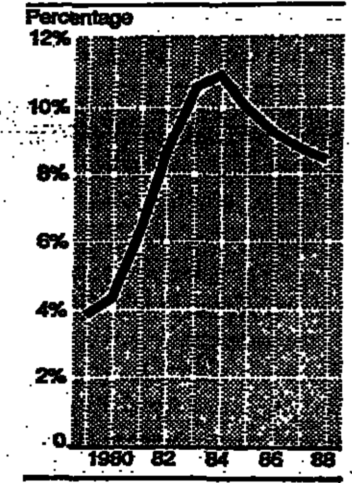
Direct investment (Fl billion)



■ The Netherlands has always been one of the world's biggest capital exporters and only recently has it been overtaken by the Japanese in terms of size of its US direct investments. The combination of a buoyant Dutch economy and the country's position as a distribution centre for the EC has led to a surge in foreign investment.

Unemployment

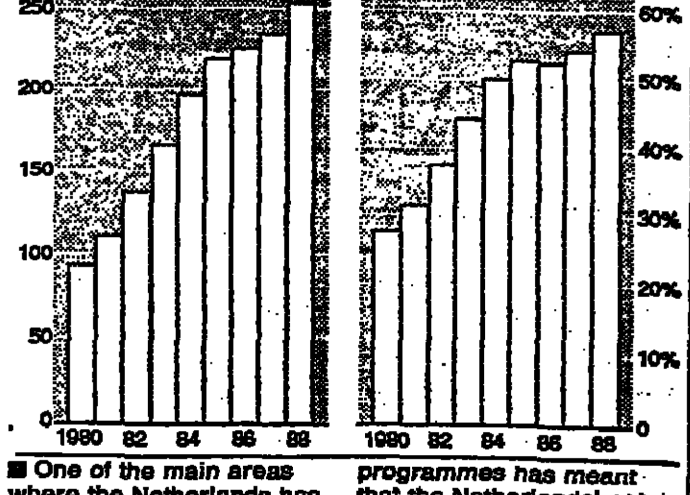
Percentage



■ There is considerable disagreement about what is the correct measure of unemployment. Up until the end of 1988, the official series was calculated from workers who were looking for a job of 20 hours or more a week and registered at labour offices. Under this procedure there were 682,000 unemployed in 1988. However, recent surveys suggests that there are significant measurement errors and 25 to 30 per cent of registered unemployed have some kind of paid job, albeit temporary.

On this basis the high number of unemployed has been cut by more than a third to 435,000.

National debt



■ One of the main areas where the Netherlands has lagged behind its neigbours has been in cutting the size of its public sector.

Although, the central government financial deficit has fallen from 10.1 per cent of national income in 1983 to 6.5 per cent last year, a combination of declining gas revenues and cost overruns on public spending programmes has meant that the Netherlands' net national debt has more than doubled as a percentage of the gross national product since 1980.

Among its industrial competitors, only Italy and Belgium have worse ratios. The resultant steady rise in debt servicing costs means that the authorities have little choice but to cut their borrowing over the medium term.

Natural gas reserves

A sharp decline in revenues

EVEN IF the Dutch authorities are successful in reducing the central government deficit to 4.5 per cent of GDP next year, it still remains amongst of the highest in Europe. One of the main reasons why the Dutch have had such difficulty in reducing their public sector burden is the sharp decline in the revenues from natural gas, the country's main natural resource.

After the USSR, the US and Canada, the Netherlands is the world's fourth largest producer of natural gas. It provides over half of Dutch energy consumption, compared with an average figure of 20 per cent in Western industrialised countries, and around 40 per cent of annual production is exported to West Germany, France, Belgium and Italy.

The heart of the industry remains the giant Groningen gas field which was discovered in 1959 and still remains one of the world's biggest fields, holding around 60 per cent of

After the USSR, the US and Canada, the Netherlands is the world's fourth largest producer of natural gas, writes William Hall

the country's gas reserves. It is used as a back-up reservoir for the rest of the industry and production is either raised or reduced depending on the output coming from the newer and smaller offshore fields.

However, Dutch production, which peaked at over 100 bn cubic metres in 1976/77 has been steadily declining and last year totalled a shade under 67bn cubic metres. This factor, when combined with the fall in the oil price (to which the gas price is linked) explains why last year's natural gas revenues of Fl 7.3bn were no more than a third of the peak reached in 1985.

This year they are expected to fall to a shade over Fl 6bn before gradually starting to gradually increase once again.

The Dutch Government is not going to be able to rely again on the industry providing Fl 25bn per annum of revenues for a very long time to come. Whereas in 1985, natural gas royalties were equivalent to 4.2 per cent of national income, the percentage had dropped to 1.3 per cent last year.

Having said that, natural gas remains a key element in any assessment of the Netherlands' long-term potential. Admittedly, the country is only finding roughly half as much gas as it produces each year, but if the Dutch were to find no more gas from tomorrow, the country would still have enough gas for the next 35 years. Proven reserves of 1770bn cubic metres, plus another 500bn cubic metres of likely discoveries, provide a very comfortable energy cushion.

It is highly unlikely that the Dutch will ever find another field comparable in size to Groningen, but discoveries continue. By the same token, domestic natural gas consumption is unlikely to change very much, since 98 per cent of all Dutch households are already connected to the distribution

Proven gas reserves, provide a very comfortable energy cushion.

network, compared with less than 50 per cent in West Germany.

The Dutch natural gas industry is reasonably mature and although it remains the biggest exporter in the EC, the Norwegian industry is increasing in importance.

The success of the industry has not, however, bred complacency and even though Dutch energy policy stresses long-term stability, this is because it is the best environment in which to develop and finance new discoveries both in the Netherlands and elsewhere.

The big worry for the energy officials in the Hague is that the EC might disrupt the status quo. This could be trying to create greater price competition or by introducing new common carrier rules which could disrupt long-term gas supplies.

The big question for the Dutch gas industry is whether the advent of the single European market in 1992 will involve a dramatic rewriting of the rules which have governed the industry since the early 1960s.

For the Dutch, at least, this is a much bigger threat than competition from new Russian or Norwegian gas supplies.

KEY FACTS

- □ Population of the Netherlands: 14.75m.
- □ Area: 41,900 sq.km.
- □ Prime Minister: Mr.Ruud Lubbers
- □ GDP per capita:* US$15,400
- □ Purchasing power parities in 1987:12,252 W.Germany: 13,323. France: 12,803
- □ Real GDP growth: 2.1%* 1987 1.6% 1978-88 average 1.4%
- □ Inflation: 1988, 0.7% 1987, -0.7% 1978-88 average, 3.1%
- □ Merchandise exports: US$98,581m. 1987, US$86,970m
- □ Merchandise imports:* US$90,410m 1987,$81,809m
- □ Current Account Balance: 1988, +US$5,310m 1987, +US$3,540m
- □ Total reserves, minus gold: US$15,818m, (at end of Aug.1989)
- □ Principal exports of total:* Machinery and transport equipment, 22.1'x% Food, drink,tobacco: 20.0% Chemicals, plastics: 18.9%
- □ Principal imports of total:* Machinery and transport equipment, 29.0% Food, drink, tobacco,13.7% Fuels, 9.4%.
- □ Main destination of exports percentage of total:* West Germany 26.2% Belgium-Luxmb'g, 14.7% France 10.8% Britain, 10.8% EC total 74.7%
- □ Main source of imports, (% of total):* West Germany, 26.3% Belgium-Lux.,14.7% EC total, 64.4%
- □ Currency: the Guilder, equals 100 cents.
- □ Average exchange rate:* $1=1.9766, £1=3.5156

*Figures for 1988.
Source: Sue Cockerill, FT Statistics Department.

The political scene

Socialists must prove they can make a difference

NOW THAT the Labour Party seems likely to return to power after more than a decade in opposition, the Socialists must prove they can make a difference. The Christian Democrats and Socialists are expected to round off talks soon on a new centre-left Coalition Government, to be headed by Mr Ruud Lubbers, who will serve as Prime Minister for the third time.

But Labour's seeming victory is an ambiguous one and is largely due to the losses of the Liberals — former partner of the Christian Democrats — and to the gains of other leftist parties — Green Alliance and Democrats 66.

Labour itself lost three seats in the early elections on September 6, in spite of the pragmatic appeal to voters by Mr Wim Kok, the party's leader.

As a result of its losses, narrow economic manoeuvering room and Mr Lubbers' enormous appeal, Labour will have difficulty in exercising the influence it would like. Conventional wisdom is that a centre-left coalition will follow a relatively similar path to that of the centre-right one over the past seven years.

■ Distribution of seats in Parliament: 1989 figures. (1986 figures in brackets):
- □ Christian Democrats: 54, (54).
- □ Labour: 49,(52)
- □ Liberals: 22,(27).
- □ Democrats 66: 12,(9).
- □ Green Alliance: 6,(3).
- □ Small right-wing parties: 6,(5).
- □ Centre (extreme right): 1,(0).

Mr Lubbers will be in a position to call most of the shots in the next cabinet, as his Christian Democrats remain the biggest party in Parliament, the Socialists must prove their new flexibility, Green Alliance and Democrats 66 have been barred from coalition talks, and the nature of coalition politics blunts confrontation.

The Christian Democrats are the swing party in Dutch politics, participating in every coalition. But the Dutch are tilting slightly leftward. More specifically that means toward "Green" and neo-leftist parties, which scored the heftiest gains in the election but have been muscled out of power by the big, mainstream parties.

The Green Alliance is a new group of four small, left-wing parties — excluding the Greens — which favours radical action on the environment.

The Green Party have has never really thrived because its potential constituency is split among a half dozen left-of-centre parties. Democrats 66 are an intellectual, slightly left-of-centre party that grew out of the 1960s political reform.

Led by the clever and witty Mr Hans van Mierlo, the party takes well-reasoned positions that follow logic rather than emotion.

Mr Wim Kok, Labour Party leader: facing a tough challenge

The election results suggest that the Socialists are still struggling to define a new philosophy and identity in step with the times. Systematic soul-searching since 1981 — when Labour lost nine seats, the most ever — seems to have left many questions unanswered.

Mr Kok took over the party reins in 1986 with the aim of injecting fresh blood after 20 years of leadership under Mr Joop den Uyl.

A novice at the time and a former labour union leader, Mr Kok has transformed the Socialists into a plausible governing partner for the Christian Democrats, but the sacrifices have been great. Labour agrees that the huge government budget deficit must be cut, some fiscal discipline must be maintained and taxes cannot be too much higher than those elsewhere in the European Community.

But to justify their existence the Socialists must fight for more money for the environment, unemployed, education and health-care. Their success depends to a great deal on Mr Lubbers, who has risen to the level of a political sun king, wielding royal power because of his immense popularity and Christian Democratic strength.

His first seven years already made him the longest reigning Prime Minister since 1958 and now he is heading for a postwar record. His Christian Democratic Party remained the biggest in Parliament in the elections, virtually guaranteeing him the Prime Minister's job for a third term.

Paradoxically, the Christian Democrats are at the apex of their power at a time of a religious nadir. Less than 50 per cent of all Dutchmen profess a religious affiliation, the first time in history that church affiliation has fallen below half, according to Mr Maurice de Hond, of the Inter/View public opinion polling firm.

Mr Lubbers' attraction is that his Christian values underly "no-nonsense" policies and a business-like style. His rugged good looks and heavy beard have not hurt him at the polls, either. Most importantly the 50-year-old, wealthy Rotterdam industrialist shrewdly exercises power in a way that is palatable to the egalitarian Dutch.

He shuns the trappings of office — living in Rotterdam in a distinctly modest house, compared to most government leaders, dashing about without body guards and engaging in charming self-deprecation.

This lack of chauvinism probably explains why Mrs Margaret Thatcher, Britain's strong-minded Prime Minister, is rather enamoured of Mr Lubbers. The peculiarity of the politics scene — all Dutch governments are coalitions because no single party is big enough to rule alone — narrows the margins of difference.

Mr Lubbers is a master of compromise, usually getting his own way while allowing the opponent to save face. Rarely has his deft hand been more visible than in the talks to forge a new governing accord for the next four years.

First, the Democrats 66 were eased out of the discussions. Then the most divisive issues — euthanasia and equal treatment — were shelved for the time being. After that, a budgetary framework to Mr Lubbers' liking was agreed.

He is also taking great care in cabinet appointments, since Dutch Prime Ministers, unlike their counterparts in other European countries, cannot dismiss ministers.

The Christian Democrats want all five of the most powerful seats in the 15-member cabinet as part of their seven-seat allotment. The five-member "inner cabinet" comprises Prime Minster and ministers of foreign affairs, interior affairs, finance and defence.

Perhaps the most crucial question of the cabinet formation is whether Mr Onno Ruding, Finance Minister, will stay on. He is thought to want to keep his job, in contrast to his earlier statements, but Labour is insisting on having that post.

As Finance Minister for the past seven years, Mr Ruding was architect of the austerity policies that have helped fuel economic recovery.

He hinted a year ago that a higher-paying job in the private sector — such as in banking, from where he came — would be attractive. But the Christian Democratic Minister is believed to have changed his mind, in no small part because he wants to remain chairman of the International Monetary Fund's interim committee, its policy-making arm.

Other Christian Democrats are likely to return, including the Foreign Minister, Hans van den Broek; and the Economics State Secretary, Yvonne van Rooy. Mr Bert de Vries, the Christian Democrats' negotiator in coalition talks and former Parliamentary whip, is also a likely candidate.

Mr Kok has shied from making rigid demands for cabinet posts in his concerted attempt to get Labour into government. But he presumably will be appointed Vice Premier, a title which can be held by any minister.

Given Mr Kok's relatively short stint in politics and trade union background, he might find the Labour portfolio the most suitable. Mr Thijs Wöeltgens, Labour's financial specialist and Mr Kok's right-hand man in the coalition negotiations, is probably aiming for the Economics portfolio.

Other Socialists have felt little inhibition about publicly lobbying for a job in The Hague. Mr Arie van der Zwan, a former head of the National Investment Bank who recently quit Vroom & Dreesman in a huff, and apparently could be pried away from his job as head of World Software, a Dutch-based computer software company.

After suffering in the political wilderness, many Socialists are only too happy to return to the oasis of The Hague.

Laura Raun

Welfare system

Debate over big tax burden

Elderly residents playing cards in Vondel Park, Amsterdam. The cost of the revered welfare system is high.

GOVERNMENT formations offer Dutch politicians a golden opportunity to debate one of their favourite topics: the optimum size of the welfare state. They are relishing the chance now.

The Christian Democrats and Socialists are dickering over how much more should be spent on social services now that the era of severe economic austerity is past. Mr Bert de Vries, the Christian Democrats' negotiator in the coalition talks and former Pariamentary whip, once said the public sector should never shrink below 60 per cent of the gross national product.

It has just slipped below what has become known as the "Bert Norm" and the question facing the governing partners is how much it can be fattened up. Labour clearly wants to lavish more resources on the revered welfare system than the Christian Democrats, but a compromise is expected.

Where the system was pruned in recent years it will be fleshed out again, but big increases are unlikely.

"Income differences must narrow," asserted Mr Wim Kok, the Labour Party leader, asserted during the election campaign. "The lowest incomes get the least — and the highest the most."

Income differentials in the Netherlands are among the narrowest in the European Community. But with a unified Europe just around the corner after 1992, the Netherlands is more mindful than ever that it must move more in step with the EC to avoid jeopardising international competitiveness.

The public sector is about 59 per cent of GNP, the biggest in the EC and second highest of the Organisation for Economic Co-operation and Development's 24 members, behind Sweden. Social spending as a share of national income is the highest among the 12 EC members — 28 per cent — and is forecast to slip only to 27 per cent by 1993.

The Dutch also are saddled with the heaviest burden of taxes and welfare premiums in the Community. The biggest tax cuts in postwar history — nearly Fl 5bn — were supposed to take effect on January 1, 1990, but have been thrown into some doubt by the Socialists. Even if the reductions go through, the Netherlands would still have the highest tax-and-premium burden in the EC in the 1990s because other members are cutting their rates.

Critics worry that the Netherlands may suffer a "brain drain" when the EC borders open wide because highly skilled Dutchmen will seek countries with lower taxes to obtain better pay. Financing the welfare state is particularly onerous — because so few people work to pay for it. Only 49 per cent of the adult population has a job, the second-lowest participation rate in the EC, behind Ireland.

Relatively few women work

Continued on page 4

Welfare state

Continued from Page 3

outside the home: only 42 per cent compared to 52 per cent in West Germany and 62 per cent in the UK. But massive worker disability is the most intractable problem. About 724,000 people claim disability benefits and that figure could climb to 1m (out of a total population of 15m) by 2000.

The number of disabled is about double the number of unemployed – 376,000. Taxes and welfare premiums boost wage costs, which are the heaviest of the Twelve. But the Dutch argue that their high labour productivity, beefed-up by heavy business investment in recent years, will enable them to pay for the expensive welfare system without losing their competitive edge.

Due to the huge budget deficit state debt will climb to 90 per cent of GNP in 1990, according to government budget forecasts. The Christian Democrats and Socialists have agreed to pare the gaping deficit but that will be made more difficult if economic expansion slows, as expected.

With wage demands escalating to 3-5 per cent and interest rates climbing, inflationary pressures seem to be building. Health-care costs also seem to be rising *faster* than previously expected, fueled – in part – by a rapidly ageing population. The caretaker government had reckoned on annual growth of 1 per cent, but the new cabinet may face increases of as much as 2 per cent, according to the Socialists.

One thing is certain: the Dutch have no intention of allowing their carefully nurtured welfare system to be dragged down by "harmonisation" with lesser systems in the EC. Integration of 12 extremely diverse systems is out of the question for the foreseeable future since the Single European Act skips over social security systems. This insulation well-suits the Dutch.

Laura Raun

Manufacturing now accounts for a fifth of the Dutch economy

Industrial renaissance

A COUPLE of raw statistics give a clue to the current robust health of Dutch industry. The tonnage passing through Rotterdam, the world's biggest port, rose by 8.7 per cent in the first half of 1989, whilst the number of passengers passing through Amsterdam's Schipol airport was up by 7 per cent. Both are sensitive barometers of the level of activity in the Dutch economy and the readings are more encouraging than they have been for a very long time.

Not surprisingly, the news coming out of the corporate sector has been equally upbeat. Even though inflation is running at around 1 per cent, corporate profits are growing by 25 per cent this year and Pierson, Heldring & Pierson is forecasting a 10 per cent growth next year led by sectors like insurance, publishing and food and drink.

Manufacturing industry output which had been growing at an average 1.5 per cent per annum between 1981 and 1987 grew by 5 per cent last year. And in core Dutch industries like food, drink and tobaco, and chemicals, capacity utilisation is higher than it was in the late 1960s.

The share of investment in national product has shown the fastest growth rate within the OECD and relative wage costs have been growing noticeably more slowly than those in West Germany, the Netherlands' principal competitor in international markets.

As a result, Dutch companies have been gaining market share, particularly in West Germany which takes 30 per cent of Dutch exports.

Traditional Dutch companies, which in the US would be tagged "rust bowl" industries, have been reporting dramatic profit improvements.

Hoogovens, the steel giant, resumed dividend payments last year and helped by a combination of massive investment, good volume growth and price increases has been recovering strongly. Akzo and DSM, the two leaders in the Dutch chemicals industry, have also been recovering and the fact that the Dutch Government was able to sell two substantial stakes in DSM – the biggest equity offerrings of their kind in the Dutch market – is testimony to the improvement in international confidence in one of the more cyclical parts of the Dutch economy.

Fokker, one of only a handful of European commercial jet manufacturers, which had to be rescued by the Dutch Government a couple of years ago, has been benefiting greatly from the boom in international jet orders.

Nedlloyd, another famous name which went through a very rough patch, has seen its profits recover to such an extent that it can once again afford to invest heavily in ships. The profit growth of stocks like Elsevier and VNU, *the publishers, continue to* stand out and even stable blue chips like Unilever and Heineken have been reporting profit increases of 16 per cent.

Corporate profits are growing by 25 per cent this year

Traditionally, the Netherlands has been an agricultural and trading nation. Industrialisation started much later than in other developed countries and only really got under way after 1945.

The discovery of gas and the growth of Rotterdam as a major entrepot centre for oil led to the development of a huge refining and chemicals industry which continues to be far larger than justified by the domestic needs of the local economy. However, the jump in energy prices in the 1970s pushed up the cost of energy-intensive products in which the Dutch specialised and lower demand led to substantial overcapacity in areas like artificial fibres and chemicals.

These problems combined with the failure of the Government's strongly interventionist industry policies throughout the 1970s depressed the industrial base. But an industrial renaissance is now under way and manufacturing now accounts for a fifth of the Dutch economy, both in output and employment terms.

The question now is whether the renaissance is permanent or whether Dutch industry will once again run into serious problems in the next global recession. This is clearly a worry or else the shares of firms like DSM would not be selling on multiples of 4¼ times next year's earnings.

One of the easiest ways to gain a feel for the long-term health of Dutch industry is to take a straw poll of local fund managers and ask them which companies they could tuck away in their portfolios and forget about for the next decade. The answers are revealing. Of the five Dutch multinationals – Royal Dutch Shell (oil/refining) and Unilever (food processing) – are the only two consistently regarded *as good long-term* holdings.

The others – Philips (electrical goods) and Akzo and DSM (chemicals) – are less well-regarded either because of their vulnerability to highly cyclical industries or the competitive threat from low-cost producers from the East.

Similarly, KLM and Nedlloyd, the country's two biggest transport stocks, are not rated highly, despite the country's obvious advantages in transportation; and the banking sector is not thought to be big enough to take advantage of the opportunities of the single European market.

The recent breakdown of the Amro/Generale de Banque merger only served to highlight the problems on this score since the issue of scale, which the merger was supposed to address, still persists.

By contrast, insurance stocks like Nationale Nederlanden, Aegon and Amev are thought of as beneficiaries of any move to a single market in financial services, and Heineken has one of the world's best brand names, which will ensure it can compete.

In addition, some smaller companies like Buhrmann-Tettrode and HBG are trying to ensure that they are victors rather than victims in the substantial industrial regrouping now under way in several neighbouring countries.

As long as Dutch wage-costs continue to rise less rapidly than the competition, the worries about the future of some of these household *names* will remain subdued. However, talk to Dutch industrialists and civil servants and there remain a number of concerns which go beyond the simple question of relative wage costs.

The most visible is the changing economic structure of Europe. The centre of economic gravity in West Germany, the Netherlands' most important market, is moving south and the distribution network is no longer on the back *doorstep. By the same token,* the fastest-growing markets in Europe are in countries like Spain, where Dutch exporters are under-represented.

Other worries are less pressing but no less real. A relatively small number of firms play a very large role in five key exporting areas – chemicals, refining,food processing, consumer electronics and metals. This explains why the Dutch authorities are so obviously concerned about the *future financial health* of a firm like Philips.

For multinationals like Shell and Unilever, the Netherlands is a very minor part of their business and there must always be a fear that in any restructuring of European business, the Dutch will gradually end-up with a pile of faceless subsidiaries whose longer-term fortunes are determined by directors in Cleveland and Tokyo, rather than Eindhoven or Utrecht.

William Hall

Bold plan to clean up the environment

MOST countries are paying lip service to the need to clean up the environment. But the Dutch are pioneering in efforts to dramatically reduce pollution as well as totting-up the price tag for achieving their ambitious plan.

The National Environment Plan, unveiled last May, aims to drastically reduce all pollution over the coming 20 years at a total cost of around Fl 350bn.

Cumulative investments over the two decades could amount to another Fl 350bn.

The blueprint for preserving the ecosystem is perhaps the most comprehensive and integrated plan in the world and will be a top *priority* for the *new government.* The Netherlands already spends 1.34 per cent of its gross national product on the environment and is the only one of the 10 top industrialised countries to have increased such outlays in recent years.

The new government *will* face two major dilemmas: paying for the "green plan" and preserving the Netherlands' international competitiveness while cleaning up pollution.

Moreover the ambitious plan *was conceived* at a time of buoyant economic growth, when purses open more quickly, but may be executed at a time of less expansion. The costs of combatting pollution would be offset by some economic gains, for example, from energy conservation and new environment-friendly industries.

Such benefits could perhaps equal the costs – Fl 350bn – depending on energy prices.

Mr Ruud Lubbers, who will *continue as Prime Minister,* noted *during* the recent election campaign that caring for the environment will require sacrifices. He told fellow members of his Christian Democratic Party that the task was a moral obligation.

"Environmental efforts are part of our stewardship," he insisted. "It will demand much from society." Parliament is expected to approve the ecological blueprint next year and strengthen it in the process.

The Christian Democrats and Socialists, in their governing accord being drawn up now, are *laying the broad* financial framework *for* the plan. During the recent election campaign all the political parties vied to prove their "green" credentials by promising to spend even more on ecology.

The divisive point is exactly how to share out the bill, given the competing priorities – welfare, education, health and unemployment.

The combined burden of *taxes and* welfare *premiums* in the Netherlands already is the second highest among industrialised countries. If the burden increases – due to "green taxes," for example – the country's international competitiveness could be hurt, especially in the barrier-free Europe after 1992.

This warning has been issued by the Finance Ministry, the Central Bank, employers' associations and Organisation for Economic Co-operation *and Development.*

Moreover, racing ahead of European Community norms is dangerous. The Dutch won their battle against Brussels for tax breaks on "clean cars," but radical moves are likely to encounter resistance. Manoeuvering-room is further limited by forecasts of slowing economic growth and commitments by the Christian Democrats and Socialists to pare the government's gaping budget deficit.

Preservation of nature has taken on a tone of great urgency over the past year. In September, 1988, Queen Beatrix blithely claimed in her annual throne speech – which was, as usual, written by the Prime *Minister – that the Netherlands'* air and water were getting cleaner. This assertion so shocked her countrymen that a red-faced Mr Lubbers had to admit pollution was a problem of potentially catastrophic proportions.

In her Christmas speech (which *she* pens) Queen Beatrix issued a cataclysmic warning of ecological doom if nothing were done to tackle *pollution.*

"Green issues" then took on even greater political significance after the collapse of Mr Lubbers' Christian Democrat-Liberal coalition government last May. The Liberals, junior coalition partners, opposed the scrapping of a tax break for car commuters in order to help pay for the expensive Environment Plan.

In the early elections on September 6 the right-of-centre Liberals took a drubbing. This is not to suggest that the valiant Dutch are willing to leave their cars at home. On the contrary, all the political parties steered a wide berth around any talk of dramatically raising costs of driving.

The Dutch *are* perhaps obsessed with the environment because their small country is so densely populated and one-third is covered by water. Because of its geographical location, about 60 per cent of *all* pollution comes from abroad. Toxic chemicals are blown over from heavy industry in the UK and West Germany.

In Rotterdam, the Rhine River annually dumps 10m cubic meters of silt that is so contaminated it cannot be deposited at sea but must be stored in a special sump.

Under the Environment Plan air, water and soil pollution would be radically reduced by 70-90 per cent by the year 2010.

Regulation rather than the price mechanism would be used to achieve the goals.

Continued on page 5

A not-so-strange move

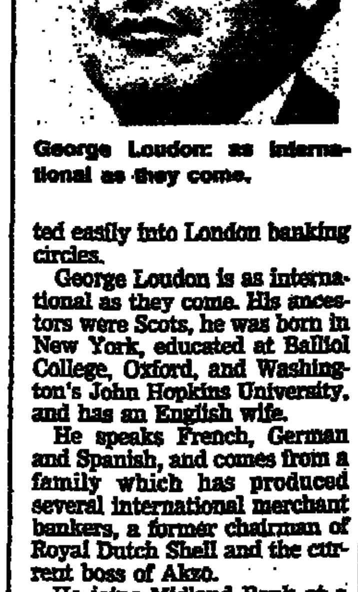
■ **Banking personality profile: GEORGE LOUDON**

IT IS rare for a major UK clearing bank to recruit a top executive from outside its own ranks, and even rarer for an overseas banker to be appointed directly to the bank's main board.

Consequently, last year's arrival of 47-year-old George Loudon from Amro Bank to head Midland Bank's international and investment banking-arm raised a few eyebrows in the City of London.

After all, Amro Bank is a smaller and less profitable bank than Midland and its track record is not much better. However, George Loudon's move is not so strange by Dutch standards. The small size of the country and its major trading ties around the world, have meant that its bankers tend to be more internationally-minded than the English.

Herman van der Wyck, a joint chairman of S.G.Warburg, Bill Slee of Schroders and Hans de Gier of Swiss Bank Corporation, are just some of the Dutch bankers who have slotted easily into London banking circles.



George Loudon: as international as they come.

George Loudon is as international as they come. His ancestors were Scots, he was born in New York, educated at Balliol College, Oxford, and Washington's John Hopkins University, and has an English wife.

He speaks French, German and Spanish, and comes from a family which has produced several international merchant bankers, a former chairman of Royal Dutch Shell and the current boss of Akzo.

He joins Midland Bank at a critical time in its history. It is a bank which has had more than its fair share of problems and management upheavals, yet has considerable potential, especially in Continental Europe where it is better-positioned than many of its rivals.

He is less flamboyant than his predecessor, Herve de Carmoy, a Frenchman who now heads Societe Generale de Belgique, but this may be no bad thing.

The Dutch are inherently conservative, and Loudon sees his job more as a concensus-builder rather than a great leader who intends to take his part of the bank in a bold new direction.

Given Midland's unhappy history in international banking, this view is what it probably needs at the moment.

In addition, he has the added merit of having run successfully a securities and investment

Continued on page 5

Environment plan

Continued from page 4

Nearly 200 measures would impose stricter pollution standards, higher environmental norms and heavier penalties for lawbreakers.

About 80 per cent of the price tag would be borne by the polluters themselves – consumers, businesses and farmers – and only 20 per cent by the state.

Total spending by consumers, business and government to clean up pollution would almost double to Fl 15bn in 1994 from Fl 8.3bn in 1988, according to the scheme.

Annual costs would then climb to around Fl 23bn by 2000 and stabilise at Fl 22bn after 2010, around 3.5 per cent of GNP.

Costs are almost certain to be higher because many voices, including that of the Prime Minister, are already calling for a "green tax" on energy-usage.

Three scenarios are sketched for the most stringent measures, the least stringent and the medium level.

The plan reckons that a package between the medium and most stringent scenario will be adopted.

"The polluter pays" principle implies that the financial burden will shift away from the government and toward industry and consumers. Some estimates are that industry will pass on as much as two-thirds of its higher costs in product prices to the consumers, though that may be easier at home than abroad.

Of the Fl 8.3bn spent on the environment in 1988 industry accounted for 38.5 per cent, government 36 per cent, consumers 20 per cent and agriculture 5.5 per cent.

In 1994, industry will bear even more of the burden – 41 per cent – while consumers will also have to pick up more of the tab – 26 per cent. Agriculture will cover 9 per cent of the costs and government will be left with only 24 per cent.

The macroeconomic effects will depend largely on which measures are adopted and whether neighbouring countries take similar steps. If the plan scenario, (medium-to-stringent measures), is adopted without similar measures abroad, then GNP would be 0.2 per cent smaller in 1994 than otherwise, compared to a 1985 forecast by the semi-official Central Plan Bureau.

If other countries take comparable steps then GNP would be 0.1 per cent higher than forecast in 1985.

Laura Raun

Telecommunications

First steps in privatisation

THE DUTCH Government has never been in the vanguard of the global privatisation process.

Since 1982 there have been sales of shareholdings in some 40 companies. The Government stake in KLM, the Dutch flag carrier, has been reduced, as has its stakes in Hoogovens, DSM and the Nederlandsche Middenstandsbank. But the idea of privatising great national utilities such as water or gas has never been high on the Government's priority list.

However, an exception has been made in the telecommunications industry. This is one of the country's biggest employers and the development of an efficient telecommunications network is vital, not only because it is a major growth industry, but also because its success is important to maintaining the Netherlands' leadership as the distribution centre of Europe.

It was for these reasons, rather than the need to raise substantial sums of cash, that the Dutch Government has taken the first steps in privatising the Netherlands PTT. From January 1st, 1989, it ceased to be a state enterprise and became a private sector company called PTT Nederland.

The shares are still owned by the Government but this cannot disguise the very substantial changes that have taken place. The monopoly of the postal service is now limited to first class mail up to 500 grams and in telecommunications the market for value-added network services (VANS) has been opened up to outside competition.

The same goes for the supply, maintenance and installation of much of the peripheral equipment. The Dutch have not gone as far as the British and licensed a rival operator and PTT Nederland will retain a monopoly on the provision of the infrastructure. However, the deregulation is clearly designed to improve competition.

It is too early to tell yet whether the process is having the desired effect. But PTT Nederland, the holding company for several subsidiaries, is beginning to sound and behave more and more like a major private sector company.

Like many of the top executives, the president of PTT Telecom, Mr B.J.M.Verwaayen, was hired away from ITT and now presides over a company with annual turnover of Fl 7.6bn, operating profit of Fl 1.2bn and an annual investment plan of Fl 3.2bn.

It employs 29,000 staff and its freedom from official restraint means that it can now tap the international capital markets, and it would not be a great surprise if, like British Telecom, Japan's NTT and Spain's Telefonica, it eventually floated some of its shares on the stock market.

In terms of profit per employee, it already ranks well ahead of its European rivals and also compares very favourably with the regional Bell operating companies in the US, such as BellSouth, Nynex and Bell Atlantic. The Dutch have a considerable advantage since their country is so compact, but even so, PTT Telecom's productivity – measured by telephone lines per employee – is the highest in the world.

Its prices are also low by international standards and its traffic is growing rapidly, with international call volumes growing by 10 per cent per annum and domestic growth of close to 5 per cent a year.

"We have re-formulated our basic mission", says Mr Verwaayen."So far, we have been a technology-driven company. Now we are a service provider."

He faces fierce competition in areas like the supply of exchanges, but PTT Telecom has been surprisingly successful in areas such as data communications.

The OECD, for one, is worried that there is still the possibility that PTT Telecom may abuse its monopoly position to slow the introduction of more cost-efficient services and keep prices higher than necessary.

It suggests that there is scope for some form of external constraint to increase the cost consciousness of PTT telecom. However, Mr Verwaayen rejects the criticism - "they are not fully aware of what we are doing. If you have 6.5m customers like we have, there are some that are bound to be suspicious".

William Hall

Amsterdam: an interesting city with all kinds of transport – bicycles, buses, cars, trams and boats.

Banker's move

Continued from page 4

ment banking business inside a commercial bank – a knack which many bankers find hard to learn.

Midland has tried before to graft foreign banking skills into the higher echelons of its management team, and has rarely been particularly successful. However, Loudon may turn out to be an exception. The Anglo-Dutch partnership in companies like Royal Dutch Shell and Unilever shows that it can produce an impressively-strong management mix.

But there is another aspect of the international careers chosen by bankers like Loudon, which is more worrying from a domestic Dutch point of view. The Netherlands has one of the highest personal tax regimes in the world and the Dutch are fluent in several foreign languages.

The result is that Dutch businessmen are often lured away by foreign companies, reducing the local pool of available business talent.

William Hall

Amsterdam as a financial centre

City with many advantages

AMSTERDAM may be one of the smaller financial centres of Europe, but it is certainly one of the more pleasant. There are no huge, soulless financial factory developments like London's Broadgate or New York's Battery Park. There is little danger of being run down by mobile phone-hugging traders driving red Porsches, and the naked greed which is increasingly evident in more frenetic financial markets is well-hidden, if it is even there.

Amsterdam also has some obvious advantages. Its workforce and institutions have been skilled in international trade and finance over many years, it has a relatively big and growing government bond market, and it has always been one of the less heavily regulated financial centres.

In terms of stock market capitalisation, the Amsterdam stock exchange is one of the smaller European stock exchanges but in terms of trading volume it is considerably more important.

It also is the home of several large institutional investors, ranging from the pension funds of Shell and Philips to big money-managers like Rotterdam's Robeco and ABP, the giant Dutch civil service pension funds.

It is also one of the most international centres. Not only are Dutch banks more internationally-minded than most, but there are 230 foreign companies with Amsterdam listings, and in this respect it is second only to London in importance.

Foreigners play a surprisingly large role in the markets. They hold roughly 45 per cent of the total market value of Dutch shares and over a third of the subscriptions to new government bond issues have typically come from abroad in recent years.

Close to a fifth of all Dutch Government bonds are held overseas.At the end of last year there were 43 Dutch banks in which foreign banks held a stake of at least 50 per cent,

However, the very international nature of the Dutch economy is one of the potential weaknesses of the financial sector, since a growing proportion of the trading in Dutch paper, and particularly bonds, has been gravitating towards bigger centres, like London,

Gerrit H de Marez Oyens, secretary general of the Stock Exchange in Amsterdam

which have the advantage of much greater liquidity.

Add in the fact that bigger rivals, like Frankfurt and Paris, and smaller centres like Dublin, are all intent on increasing their share of the European financial services market, and it can be seen that Amsterdam could be vulnerable.

The blue-print for the Dutch response is contained in a 35-page document – *Amsterdam: Financial Gateway to Europe* – which was published in March this year and put together by a group of participants from the private sector but including representatives of the central bank, ministry of finance, and the stock and options exchanges.

It is a modest, but realistic, document which admits that Amsterdam is never going to rival the likes of London or New York but suggests several sensible initiatives which will ensure that it builds on its strengths and remains one of the more important second tier European financial markets.

At the Government level it wants the abolition of the tax on all securities transactions and it would dearly love the Dutch authorities to follow the example of the Bank of England and begin issuing ECU treasury bills.

Generally, the Netherlands has a good infrastructure for a healthy financial services industry. Amsterdam's Schipol airport is well connected with other financial capitals, Rotterdam is a very important market for trade finance – the stock in trade of any international bank – and office costs are lower than most.

However, there are weaknesses ranging from the lack of luxury housing – important for foreign bankers, if not Dutch – and the financial district suffers from being fragmented with the headquarters of major banks drifting to the outskirts of Amsterdam where efficient, purpose-built headquarters, can be constructed.

Amsterdam's role as a specialised financial centre is likely to increase. The growth of the Netherlands, and particularly Rotterdam, as the sourcing and distribution hub of Europe offers plenty of scope for developing trade finance, and the Dutch venture capital industry is already one of the biggest in Europe.

Financial processing is another big growth area and there is always just an outside chance that in all the squabbling about the home of the European central Bank, Amsterdam might win out. There could be far less-desirable locations.

William Hall

Sponsorship of the arts is rising rapidly, says **David Brown**

A cultural revolution

JUST as Hollands's era of strict *budget discipline seems* ready to give-way to a loosening of government purse-strings, its arts establishment is embarking on a new market-oriented path.

Long accustomed to the paternalistic (and demanding) umbrella of state support, arts administrators face a far more commercial future – not altogether unwelcome – in which popular response, ticket sales and private sponsorship are the by-words of survival.

The recent explosion in corporate sponsorship, for example, although measured from a low starting point, represents a cultural revolution for modern-day Holland.

While this more commercial-minded direction has been accelerated by The Hague's policy of benign budgetary neglect, it has also become permanent feature in the landscape.

Government arts-spending, divided roughly equally between central and local authorities, has been frozen for eight years at some Fl 1.2bn

There is no relief in sight. For example, in a few months' time, a broad-ranging re-organisation of the state museums is to be tabled. It will have important implications. While providing directors with important new autonomy over spending, hiring and management policies, it will also fix "base budgets." Museums will be forced to non-government financing to meet any additional needs.

For smaller museums, with fewer resources to mount the lucrative and crowd-drawing shows, this is a potentially worrying development. The bigger institutions with rich collections and more drawing-power, see the advantages outweighing the drawbacks.

What is clear is that the process *which has seen corporate* sponsorship rise from virtually nil five years ago to an estimated Fl 75m a year is set to gain momentum.

"In the 1980s, the sky was the limit," says Mr Tom Boxma, the Van Gogh *Museum's Director* for Finance. "But then, we had to economise; museums were forced to seek private help. Now, the whole situation is changing very quickly."

Indeed, one of the most striking examples of this trend is the organisation of the forthcoming "Van Gogh 1990" event. An ambitious programme, timed to commemorate the centenary of the Vincent Gogh's death, it promises to be one of the major events on the international arts calendar next year.

Visitors at Amsterdam's Van Gogh Museum: 370 paintings and drawings will be featured in the "Van Gogh 1990" event.

Unique in a number of ways the programme will include a rare exhibition of the artists' profusely-illustrated letters. These letters, because of their extreme fragility and sensitivity to light, will "never again be seen by this generation," explains one organiser.

The highlight will be a retrospective pulling together the essential *oeore* from around the world – some 120 paintings and as many as 250 drawings – while a *third exhibit will* show germinal influences of Van Gogh on the development of modern art.

But from the business standpoint, the critical issue is how to finance such a costly and complex endeavour. With art *prices spiralling* upwards, *the* cost of obtaining the roughly Fl 8bn in insurance cover widely exceeded the original estimates.

Remarkably, with the exception of a relatively small cash contribution form the Government, *virtually the entire Fl* 30m programme cost is being raised from private sources, catalogue and ticket sales.

The event is being packaged and sold like gala performances at the opera and ballet, with limited entry for specific days and times. Tickets, priced at four times the state-subsidised norm, will be sold in banks and retail outlets on a commission basis, as well as at the museums.

"This is all quite unheard-of here in Holland," says Mr Frits Becht, Holland's "arts pope" who heads the private foundation organising the entire event.

"Companies have discovered only now that they can do a lot for their image by associating *it* with art. Overall, the situation is still quite undeveloped."

Mr Becht has, however, managed to rope in for major sponsors for Van Gogh 1990: the KLM airline, the Douwe Egberts food group, the Dutch Savings Banks' Association; and Heineken. *Asahi National* Broadcasting for Japan has paid a "significant" additional sum for the retrospective's television and reproduction rights.

Earlier this year, a brilliant retrospective collection of works by *the painters Kazimir* Malevich, one of Russia's greatest 20th century artists whose works have languished in state vaults for over 80 years, was sponsored by Amsterdam-Rotterdam Bank, Amro has been in the forefront *of arts patronage for several* years.

Another important shift is that companies ar slowly moving from one-off sponsorship limited to individual events to longer-term structural commitments.

This summer, for example, the Royal Concertgebouw Orchestra announced an Fl 1.7m sponsorship agreement with four companies (NMB Bank, the DAF truckmaker, Postbank and Douwe Egberts) for the entire 1989-90 season. It will *permit* the orchestra to hire new musicians, bring in guest conductors, and tour exclusive concerts for their clients.

The adjacent Stedelijk and Van Gogh museums are seeking private sponsorship to *finance the* construction of badly-needed new exhibition wings, and, as Mr Boxma put it: "We have no aversion to having, say, a Coca-cola room. Terms should be discussed."

There have been other telling developments, such as the launch of a magazine called "sponsorship" devoted entirely to fostering the link between arts and public relations.

But Mr Becht argues that Dutch companies still have a long way to go – "the mentality is unsophisticated, unlike, say, Italy. You can find funding for big, traditional events. But for anything *avant garde*, it's still more or less impossible. the companies ar playing it safe."

Moreover, attitudes within the arts establishment have also been slow to change – "the director of a *ballet* company often has difficulty understanding why he has to spend so much time telling funny little stories to businessmen."

Nonetheless, the atmosphere of today is radically different *from that of the egalitarian-Socialist* 1980s. Then, as Mr Boxma describes it, "the state was paying, we were spending, and there were no troubles at all.

Seen from a historical perspective, or course, corporate *sponsorship is nothing* new. *It* harkens back to the days of the 17th century Golden Age, when wealthy burghers financed churches and artwork by the likes of Rembrandt and others.

But, as always, Holland is seeking its own, more benign *and enlightened version of the* broader trend. The Dutch arts establishment is particularly intent on avoiding the pitfalls of dependence that often come hand-in-hand with corporate involvement.

New TV channels compete for advertising, reports **Laura Raun**

A dramatic change on the media landscape

COMMERCIAL television has finally broken through the dikes around the Netherlands and is dramatically changing the media landscape. Veronique – a commercial channel backed by Radio Tele Luxembourg (RTL) and Philips – began beaming its signal on October 2.

TV 10, a rival backed by Mr Joop van den Ende, the Netherlands' leading TV impressario, plans to start on October 28. Others seem likely to follow them into the virgin territory, where pent-up demand for TV advertising could enlarge the revenue pie and draw international media magnates.

Dramatic shifts are expected in advertising revenue, which totaled Fl 7.2bn in 1988 and is growing faster than the economy. The new government is expected to scrap the ban on commercial broadcasting and bring Dutch law in line with a recently-approved European Community directive as early as February or March.

The Dutch broadcasting system is perhaps the most complicated in the world

"The Netherlands has been so slow in the media terrain in Europe that it is viewed as a banana republic," complained *Mr Loek Hermans, a Liberal* MP, during a recent Parliamentary debate that helped pave the way for commercial TV.

Until October 6, the Netherlands was the only Western European country without commercial *television*. The Dutch broadcasting system is perhaps the most peculiar and complicated in the world. Three public channels carry programmes provided by eight "broadcasting associations" that reflect the religious and political "pillars" of Dutch *society*.

These pillars are Protestant, Roman Catholic and non-aligned, intersected by liberal and conservative politics. Viewers belong to the broadcasting association which reflects their views and pay dues to help finance them.

Most of their financing comes from TV fees – Fl 750m – and advertising: Fl 450m. Dutch law forbids programmes that are financed solely by advertising and those from abroad which carry adverts directed at a Dutch audience.

Advertising expenditure in the Netherlands in 1988:

- ☐ Press: Fl 3,172m.
- ☐ Television: Fl 450m.
- ☐ Other media: Fl 498m.
- ☐ Production: Fl 944m.
- ☐ Direct marketing: Fl 2,119m.
- ☐ **Total: Fl 7,183m.**

A limited amount of advertising is allowed – only 5 per cent of total broadcasting time (compared to a European average of closer to 20 per cent). But all the revenue goes into a central pot and is shared out among the broadcasting associations.

A holy alliance of the associations, publishers and Christian Democratic Party has successfully kept commercial TV at bay throughout 30 years of debate. *They have argued that* commercial broadcasting would jeopardise the unique "pluralism" of the system, undermine Dutch culture and pave the way for excessive sex and violence in programmes.

Carefully overlooked was the *seamier side of Dutch* television, which has offered the family gathered round the set on Sunday evening a none-too-homey graphic portrayal of gay men involved in group sex. The combined assault of the EC and broadcasting technology, however, has brought down the barriers.

On October 3, the European Commission finally approved its "Television without Frontiers" directive, which guarantees the freedom of cross-border broadcasting.

Ironically, the directive was originally co-sponsored by Mr Gijs de Vries, a Dutch Euro MP and a media maverick in his own country. Satellite broadcasting technology has ended the airwave scarcity used by governments as justification for heavy regulation of the skies.

A multitude of direct broadcasting signals can be bounced off satellites in a U-curve where the signal is beamed up from Earth and mirrored back down again. Every home equipped with a satellite dish can receive the signals, as can those linked to a cable network.

About 80 per cent of Dutch homes are cabled, among the highest density in the world. Veronique and TV 10 both have used the U-curve to get around the Dutch ban on commercial broadcasting. They have set up headquarters, production and transmission in Luxembourg to avoid Dutch law.

Veronique is casting itself as a European broadcaster with programmes in English, French and German as well. It has gathered around Fl 200m in financing for the first year. RTL has put up 51 per cent and the rest is from Philips, the Dutch electronics giant, SNCI (Luxembourg Investment Bank), NMB Bank and Credit Lyonnais.

Philips' interest is in promoting high-definition TV, which *it views as a highly promising* and profitable product for the future. Mr Lex Harding, Veronique's general director who sports a designer-stubble beard, predicts that the station will break even by the beginning of the second year if the *current trend continues*.

Veronique has commitments for Fl 130m in advertising and revenue *spurted* up after the station went on the air, he explained. TV 10 has promises of Fl 210m in adverts, according to Mr Andries Overste.

Mr van den Ende is still lining up financing, having begun with his own production company and venture capitalists but names cannot be disclosed, Mr Overste says.

The flamboyant Mr van den Ende has even hinted of a *desire to link up with TROS*, one of the existing broadcasting associations for whom he has provided much programming. *He boasts of* a stable of stars and repertoire of successful game shows previously bought by the existing associations, but now providing programming for TV 10.

"We have the talent in-house, the creativity," he enthuses publicly. "We are going to do something with it. We are going to broadcast on October 28. People cannot keep *us off the screen any longer*."

Television advertising accounted for only a paltry 6 per cent of the total spent in 1988, according to the Dutch Association of Recognised Advertising and Advice Bureaus. That is expected to climb to levels closer to the 38 per cent in the UK and 45 per cent in Italy, according to Mr Andries Overste, media director of TV 10.

Pent-up demand for TV advertising amounts to another Fl 400m on top of the Fl 450m funneled through the government pot to the broadcasting associations. Veronique and TV 10 expect to cut into the bigger pie as well as siphon-off revenue from newspapers and magazines.

The new government is expected to scrap the ban on commercial broadcasting

Print advertising accounted for an overwhelming 44 per cent of all advertising spending last year, but that percentage *is expected to shrink*. Veronique and TV 10 are battling head-on, offering similar fare for an audience that is *hardly* expected to grow.

Lots of amusement and entertainment, a good shot of sports and some news are on *the menu. Not surprisingly*, Dutch viewers like Dutch programmes and watch them around 88 per cent *of all viewing time*, in spite of more than a dozen foreign channels available.

In a unified Europe where *the Dutch feel that their language* and culture is somewhat threatened, Veronique and TV 10 may find an *eager audience*.

Laura Raun

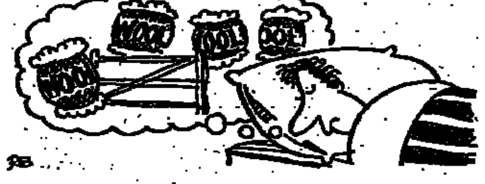
FINANCIAL TIMES
COMPANIES & MARKETS
Thursday October 19 1989

INSIDE

Unknown quantities come in to BAT

How much interest there will be in today's extraordinary meeting is something BAT Industries is finding hard to call. On one hand, the group's partial dismemberment, a jittery market for leveraged deals in the US and the San Francisco earthquake — events which could effect the bid threat from Sir James Goldsmith's Hoylake consortium — ought to be a matter of intense investor interest. On the other, there seems little doubt that the meeting will pass motions enabling demerger plans to go ahead. Page 28

Yes Sir, yes Sir 1m bags full



The Australian Wool Corporation is struggling not to have too much wool pulled over its eyes. Heavy intervention buying under its floor-price scheme has lifted its stocks to the 1m-bale mark. This in itself is not a reason for panic. But the situation is being made difficult by a sharp rise in domestic production and lower trade demand for wool. Meanwhile, Gerard McShane is convinced the Poll (hornless) Merino ram he bought at auction in South Australia is worth the record A$280,000 he paid. The value of the ram lies principally in its semen, which can be frozen over a long period and used later to produce large numbers of progeny. Page 30

Higher profits on prescription

Three big US drug groups Merck, Eli Lilly and Warner-Lambert, yesterday reported strong growth in profits in the third quarter of the current year, as they reaped the benefit of growing demand for a new generation of prescription drugs. James Buchan reports from New York. Page 20

Down to earth with a bump

When Ryanair, the small, privately-owned Irish airline headed by P.J. McGoldrick (left), made its debut four years ago it caused a sensation. The much put upon air traveller flying in and out of Dublin applauded as Ryanair and Aer Lingus, the state-owned airline, competed for passengers. Air fares fell sharply and flight availability improved. Now, however, Ryanair is in trouble. Kieran Cooke explains why. Page 18

Reorganisation at WCRS

WCRS Group is to reduce its involvement in advertising and expand the more profitable media buying side of its operations. Yesterday the UK company announced a restructuring plan which hinges on the £200m purchase of the 50 per cent WCRS does not already own in Carat, Europe's leading media buying group. At the same time Eurocom, the Paris-based advertising group, will take a significant minority stake in WCRS. Page 26

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				UAL	191⅜	−	5½
Rises				**PARIS (FFr)**			
Babcock	199	+	6	**Rises**			
Commerzbank	251	+	7	Eparg. Bertrand	1199	+	107.9
Hypothekenbank	371	+	11	SGE	247.5	+	21.2
Mannesmann	251.5	+	7.5	**Falls**			
Nixdorf	349.5	+	12.5	Fichet-Bauche	1067	−	93.9
Falls				Legrand	3420	−	115.9
Allianz	2050	−	29	Raffinage Franc	163	−	5.8
NEW YORK ($)				Sefimeg	482.5	−	16.9
Rises				**TOKYO (Yen)**			
Aetna Life & Cas	59½	+	2⅜	**Rises**			
CalMat	28⅝	+	2⅝	Joban Kosan	1380	+	130
General Re	86½	+	2¾	Mitsubishi Rayon	905	+	95
SunGard Data Sy	21¼	+	1¾	Nippon Tst & Bk	1990	+	220
Falls				Okano Valve	1280	+	200
Sun Microsys	17¼	−	¼	Shinwa Kaiun	1090	+	100
				Showa Highpoly	1270	+	120

LONDON (Pence)				Saatchi	313	+	15
Rises				Sedgwick	259	+	18
BPB	225	+	6	Shell	438	+	9
Brit Aerospace	572	+	21	Steel Burrill	226	+	12
FKB	256	+	19	Unilever	642	+	17
Hawker Sidd	858	+	10	Unitech	356	+	12
Heath (C.E.)	476	+	21	Willis Faber	245	+	23
Hogg Robinson	143	+	14	**Falls**			
ITL Info	38	+	13	Dixons	184	−	2
Lon & Man	296	+	10	Pilkington	206	−	1
Jaguar	673	+	19				
Morgan Grenfell	405	+	14				
Royal Ins	450	+	12				

Whitbread spirits sale

By Lisa Wood in London

WHITBREAD, the UK brewing and retailing group, has put its wine and spirits division up for sale. Brands to be put under the hammer include Beefeater Gin and Long John Scotch whisky.

City analysts estimated that the division, which might be sold as a whole or in chunks, could be worth up to £500m ($780m).

The company also announced that Mr Sam Whitbread, chairman, would be taking up a non-executive role next March when Mr Peter Jarvis, group managing director, is appointed chief executive.

The disposal of the spirits division is part of a strategic review at Whitbread. The division is a relatively small player in a competitive global marketplace where the pace is increasingly being set by companies such as Guinness, Grand Metropolitan, Allied-Lyons and Seagram.

The group is also seeking to bolster its brewing activities. Proposals soon to be implemented by the UK Government, following the recent Monopolies and Mergers Commission report on brewing, will increase competition in the sector. In September Whitbread announced it was paying £50.7m to acquire the brewing operations of Boddington, the Manchester brewer of Boddington's real ale.

The sale of the spirits division will substantially reduce Whitbread's borrowings of £850m and its 30 per cent gearing. The company's two-tier voting structure of 'A' and 'B' shares — where Whitbread Investment Trust, the company's directors and the Whitbread family account for about 80 per cent of the controlling 'B' shares — has meant it has used debt funding rather than rights issues to raise money for recent acquisitions and expansions.

The businesses to be sold are Buckingham Wile, a US distributor of Beefeater and agency brands including Cutty Sark Scotch; James Burrough Distillers where assets include Long John, Laphroaig malt whisky, Beefeater and the Atlas Peak vineyards in Napa Valley, California.

European Cellars, a joint wine venture with Allied-Lyons, and a stake in Britvic Corona, the soft drinks company, are not being included in the sale memorandum being prepared by Baring Brothers.

Whitbread does not break down its spirits profits. In the year ended February 1989, wines, spirits and soft drinks contributed £35.4m towards group pre-tax profits of £223.2m. Analysts estimate that this year the spirits division will make about £30m of the £42m forecast for the division.

Lex, Page 16

Apricot to acquire ITL for £12.7m

By Alan Cane in London

APRICOT Computers, the Birmingham-based workstation manufacturer and computing services company, is buying Information Technology (ITL), one of the UK's oldest computer companies, for £12.7m ($19m).

Apricot will exchange 13 new 10p ordinary shares for every 20 ITL 10p ordinary shares, valuing ITL at 41p a share on the basis of Apricot's closing price on Tuesday of 63p.

The deal, another in the wave of mergers and acquisitions which are changing the face of the West European information technology industry, seems certain to go through.

Apricot says it has already received irrevocable undertakings to accept the offer from shareholders representing 53.4 per cent of ITL's issued share capital.

Mr Roger Foster, Apricot's executive chairman, said yesterday that there was excellent synergy between the two companies. Apricot Computer, which has an erratic financial record and which reported disappointing figures this year through unforeseen technical and commercial problems, has undergone considerable restructuring and now comprises three principal areas of activity.

These are computer software with special emphasis on financial systems, computer services, especially the maintenance of Apricot and other computer systems, and the manufacture of high-performance personal computers ("workstations"). In 1989 it reported pre-tax profits of £6m on revenues of £106m.

The new share offering means that the merchant bank Singer & Friedlander, which currently holds 13.9 per cent of Apricot stock and which has declared its intention to reach 20 per cent, will see its holding diluted.

Mr Raymond Levy, Renault chief executive

Western Europe medium van production
(2.01-3.5 tonnes gross vehicle weight)

	1988 (estimates)	% change
Ford Transit Belgium	66000	12.4
Ford Transit UK	82000	14.1
Citroen C25/Sevel	27200	45.3
Peugeot J5/Sevel	34500	21.7
Fiat Ducato/Sevel	63500	11.4
VW Type 2	101000	-11.7
Renault Trafic	64700	10.1
Mercedes Bremen/T1*	45000	-1.8
Iveco Daily*	40500	12.1
Mercedes MB Series	23500	112.5
VW LT*	22100	6.1
Renault Master /B70	22000	20.2
DAF 200/400	20500	3.4
Nissan Trade	17800	18.5
IBC Midi/CF	14500	75.5
Peugeot J9	12200	-13.9
Citroen C35	5500	-16.3
Ebro J4	850	-65.5
Sovam	60	-20.0
Total	663410	9.4

* excluding models over 4 tonnes gross vehicle weight. Source: AID/Industry estimates

Mr Aart van der Padt, chief executive of DAF

A Renault and DAF vanguard

Kevin Done looks at the joint venture between the two vehicle groups

Renault of France and DAF of the Netherlands are to join forces for the first time to develop a new range of light commercial vehicles to be produced in both France and the UK.

The co-operative venture represents a significant new alignment of forces in the European automotive industry. It is further evidence of the way that the rapidly growing financial burden of developing new vehicles is forcing auto makers into bed with each other creating a complex web of relationships around the world.

It also represents a marked changed in the ambitions of the two companies in the heavy van sector, and would virtually double their present production levels.

DAF, which was floated on the London and Amsterdam stock markets earlier this year, has been hunting for two-and-a-half years for a partner to share the costs of developing a new van range. It took over Rover Group's Freight Rover van business in the UK as a by-product of its acquisition of the Leyland truck operation in early 1987.

At that time, Mr Aart van der Padt, DAF chief executive, committed the group to investing more than £100m in a new van range to replace Freight Rover's ageing Sherpa range, but it was clear from the outset that DAF scarcely had the sales volumes alone to justify such a heavy expenditure in the face of competition from much larger rivals such as Ford, Volkswagen, and the aggressive joint venture of Fiat and Peugeot called Sevel.

Renault has made no secret of the fact that it is seeking alliances in most areas of its business as it tries to enhance its chances of survival in the fierce competition expected in the single European market of the 1990s.

The venture with DAF is the second significant product-based joint venture it has announced in the last 12 months and follows its earlier deal with Chrysler of the US to develop a small four-wheel-drive leisure utility vehicle for production in both Europe and in the US.

Last week it was confirmed, however, that it is also holding far more wide-ranging discussions with Volvo of Sweden. Reports in the Swedish press have suggested that the talks could lead to an eventual merger of the two companies' automotive operations, which would create the world's biggest truck maker, and a new force in the European car industry. Volvo confirmed in a statement that "discussions of a preliminary nature are under way with Renault."

DAF said yesterday that it was confident that any agreement between Renault and another company would not have a detrimental impact on its planned vans joint venture.

Renault is the biggest van maker in Western Europe, but it owes its position chiefly to its success in the light car-derived van sector of the market where its Renault Express (sold as the Renault Extra in the UK) is Europe's best-selling van.

It blazed a new styling path in the much more competitive medium/heavy van sector with the launch of its Trafic and Master panel vans in 1980, but it too has failed to match the volumes of the biggest players.

The traditional European producers still dominate the industry, but Japanese van makers are also making increasing inroads into the West European market, and are steadily building up a significant local production base.

Once a rather staid part of the European motor industry, the van sector has been shaken up in the last decade by the arrival in force of the Japanese light commercial vehicle makers. The Japanese producers have targeted in particular the medium van segment, the preserve of vehicles such as the Ford Transit, the Volkswagen Type 2 Transporter, and the Fiat/Peugeot joint venture products such as the Fiat Ducato and the Citroen C25/Peugeot J5, as well as the Renault Trafic and Master vans and the DAF 200/400 range.

DAF and Renault, which have completed a six-month feasibility study on the van venture, said yesterday that they had signed a letter of intent for the development of a new van generation in the range of 2.5 to 4.2 tonnes (gross vehicle weight). A final agreement is expected to be reached early next year.

The two companies said that the £200m development costs of the new product range would be shared equally. The vans will be marketed separately through the DAF and Renault networks in Europe and are expected to be launched in the mid-1990s, perhaps in 1994.

The vans will be produced at DAF's Birmingham plant in the UK and at Renault's Batilly plant in eastern France, where the French group produces chiefly the Master range of heavy vans.

Renault said the two companies were planning a total combined output of 80,000-90,000 vans a year split between the two locations. It said that around FFr2bn (£202m) would be spent on the project, with around FFr1bn invested in the production facilities and less than FFr1bn being devoted to product development.

It is expected that the DAF products will also use Renault engines and gearboxes, and that there will be a considerable interchange of components.

Last year DAF produced some 20,500 vans — they are now sold under the DAF 200/400 name, and Leyland DAF 200/400 in the UK — while Renault produced 63,663 of its Trafic medium panel van range and some 19,569 units of its heavier Master range.

Renault insisted yesterday that the new vehicle to be developed with DAF would not be a replacement for its Trafic range which currently starts at 1.7 tonnes (gross vehicle weight), but would fill a heavier niche at 2.5 tonnes to 4.2 tonnes eventually replacing the Master van range.

DAF has been losing van market share in the UK this year despite a significant up-dating of its present product range with the introduction of a new drive train (engine and gearbox), supplied ironically by Peugeot, Renault's arch domestic rival.

DAF van output in the UK has been substantially increased, however, as the company begins to make inroads into continental European van markets for the first time.

DAF has previously been known virtually exclusively as a heavy and medium truck maker. Van output is expected to jump to 24,000-25,000 this year with a further increase in 1990.

Europe's light commercial vehicle makers have been enjoying record sales and production levels. But the current strength of demand and a promising outlook for the first half of the 1990s has also persuaded European producers to increase capacity, a move which is already raising fears about future overcapacity.

Stakes lifted in Navigation

By William Dawkins in Paris

FRANCE'S latest stock market intrigue took a fresh twist yesterday when two major shareholders of Navigation Mixte, the often coveted French industrial and financial holding company, both confirmed they had increased their stakes in the group.

Paribas, the French investment bank, confirmed it had recently lifted its shareholding in Navigation Mixte to above 10 per cent, while Allianz, the West German insurance company, said it had taken a 3 per cent stake and was planning to broach the 5 per cent threshold.

The intense speculation surrounding the future of Navigation Mixte, one of France's odder conglomerates — with interests ranging from champagne to banking — sent the shares up FFr150 yesterday to a record high of FFr1,750 ($280).

The Allianz move is part of a deal announced two weeks ago in which the German company paid FFr6.5bn for half of Navigation Mixte's insurance operations, which accounted for the largest single chunk — 40 per cent — of the French group's FFr18bn turnover last year.

Allianz signalled at the time that it would then be taking a stake in the full group, currently valued on the stock market at just over FFr18.3bn.

These manoeuvrings are all the result of recent attempts by Mr Marc Fournier, the tough chairman of Navigation Mixte, to build a crew of loyal institutional shareholders. The aim is to fend off any unwanted boarders seeking to strip the group of its valuable insurance businesses, which have escaped the wave of takeovers to sweep the European insurance industry.

Mr Fournier seemed ready to welcome Allianz as a friendly co-owner of his insurance interests as the price for staying at the helm of the group as a whole.

Navigation Mixte, normally discreet about its own affairs, has been the subject of bid rumours several times recently.

Part of the attraction of the Allianz deal was to fend off further advances from Assurances Générales de France, the country's second largest insurance group, which held 7 per cent of Navigation Mixte at its last announcement.

It won permission a few days ago from the state body that monitors banks and insurance companies to boost its stake above 10 per cent.

However, all involved are keeping their cards so close to their chest that it looks quite possible that Mr Fournier's attempt to build up a so-called noyau dur of loyal shareholders could be getting out of hand. Even if the Allianz deal has made Navigation Mixte's insurance activities harder to acquire on their own, it could make the group more attractive as a whole.

Investors have a feeling that some other major change is about to hit this group, and want a good slice of the action, says one big shareholder.

The other big uncertainty is what Paribas plans to do. The share price was around FFr1,000 when Paribas started increasing its existing 2 per cent stake at the end of last month. It reckons it bought at an average of FFr1,200 per share, so the investment bank has made a tidy profit on a stake now worth at least FFr1.83bn.

Paribas seems friendly. Mr Fournier was spotted by Paris stockbrokers lunching amicably last Friday with Mr Michel François-Poncet, Paribas' chairman, promptly sparking another burst of buying in Navigation Mixte's shares. But Paribas officials firmly refuse to divulge their intentions, beyond saying: "We like this company. It has very interesting assets — all the more so since the Allianz agreement."

Hawker Siddeley to sell units

By Nick Garnett in London

HAWKER SIDDELEY, the UK engineering group, hopes to sell businesses which account for about a quarter of its yearly sales of £2bn, said Mr Alan Watkins, the new chief executive. The sales are part of the group's long-term restructuring strategy.

Hawker, whose products include electric motors, batteries, and power station and rail equipment as well as controls and aerospace repair services, would also be looking to buy companies which together would have sales of more than £1bn.

With organic growth, this would put the group on course to double its present turnover within four years, Mr Watkins said yesterday. Negotiations on two substantial acquisitions had passed the preliminary stage.

The group announced half-year pre-tax profits to June up nearly 16 per cent at £93.2m from £80.6m. Turnover was at £981m compared with £837m.

Earnings per share is 27.9p (24.1p) and the dividend is up 19 per cent at 10p (8.4p).

Profits on Hawker's electrical businesses increased by a fifth, with electric motors and generators contributing £19.2m (£13.4m) and electrical distribution and controls £26.5m (£24.0).

Profits in diesel engines improved by almost a third to £6.8m. However, mechanical specialised equipment produced a much weaker performance with profits up just £1.4m to £21.4m.

The latter performance was affected by a long strike in the company's Orenda division in Canada.

Lex, Page 16

Procordia puts forklift truck offshoot up for sale

By Nick Garnett

KALMAR INDUSTRIES, the forklift truck manufacturer, has been put up for sale by its parent, Procordia, the Swedish state-owned holding group in a further shake-up of the world's lift truck industry.

Procordia is prepared to sell Kalmar complete or break it up and sell off its constituent units separately. Kalmar had lift truck sales last year of SKr1.84bn ($285m) and employs 2,000 staff.

The separate units are Kalmar LMV in Sweden, Kalmar Climax in the UK, the former Allis-Chalmers lift truck operations in the US, and two warehouse systems businesses in West Germany called Irion and Larf.

The businesses outside Sweden were all purchased in 1986 and 1987 as part of a big expansion programme by Kalmar.

Some of the businesses which were loss-making have been turned around but the US operations are still losing money. Procordia, which has been restructuring, said yesterday it was concentrating its activities in consumer products and services and Kalmar did not fit in with this strategy.

The world's lift truck industry, especially in Europe, has gone through a series of ownership realignments in the past three years.

Two large deals took place this year. One was the purchase of Hyster of the US by Nacco, another American company making forklifts under the Yale name, to form Hyster-Yale. The other was the purchase of the privately-owned Lansing group in the UK by Linde of West Germany, Europe's biggest lift truck maker.

Several smaller suppliers in France, Spain, West Germany and, to some extent, the US have been absorbed in the past few years. The principal acquirers have been Linde, BT of Sweden, Jungheinrich of West Germany and Lancer Boss of the UK.

As well as this development, a large number of producers have formed production or marketing arrangements with their main Japanese and South Korean competitors.

Principal lift truck makers will be issued with a purchase prospectus for the Kalmar businesses early next month.

Aerospatiale buys laser optronics arm of CGE

By William Dawkins in Paris

AEROSPATIALE, the French state-owned maker of aircraft and missiles, yesterday purchased for an undisclosed sum the laser optronics activities of Compagnie Générale d'Electricité (CGE), the diversified engineering and electronics group.

The purchase completes Aerospatiale's attempts to build up the capacity to research, develop and produce defence systems based on medium and high energy lasers, said the aircraft group.

CGE will hand over its Laboratoire de Marcoussis, based near Paris, which will be regrouped into a new company, Laserdot, expected to have a turnover of FFr75m ($11.9m) this year.

The aircraft group plans to gather this, and its existing interests in other laser beam producers, into a single holding company, to be named Unilas. These other interests include full ownership of Quantel, which makes lasers for scientific and industrial use, plus a 28 per cent stake in another industrial laser business, Lisa, with operations in Nevers and Frankfurt, West Germany.

Aerospatiale also has a 40 per cent shareholding in Cilas, a military laser business, purchased from Alcatel, a CGE subsidiary, with an annual turnover of FFr220m.

Ryanair flies into storm clouds

Kieran Cooke reports on an aerial dogfight over the Irish Sea

When Ryanair made its debut on the Irish aviation scene four years ago it caused a sensation.

The small, privately-owned Irish airline quickly made its mark, offering low cost fares across the Irish Sea.

Air travellers frequently using Dublin airport applauded as Ryanair and Aer Lingus, the state owned carrier, competed for passengers. Air fares fell dramatically, availability of flights improved considerably.

But now Ryanair is in trouble. Last week it announced revised results for 1988 with a loss of I£7.34m ($10.42m). "Last year Ryanair went through a very difficult period," said the company's management.

Ryanair is 90 per cent owned by members of the family of Mr Tony Ryan, millionaire Irish businessman and head of GPA, the world's biggest aircraft leasing company based at Shannon in the Irish Republic.

While Mr Ryan's two sons are Ryanair executives, the GPA boss is looked on as the prime mover behind the scenes.

Mr Ryan and others have now pumped a further I£20m into the company. But for this cash injection it seems likely that Ryanair would have had to cease operations.

Mr P.J. McGoldrick was brought in as Ryanair's chief executive late last year. "The airline started to run into problems early last summer. It just didn't have the organisation or structures to cope with the way business had grown. We had over-expanded our fleet. The company has now been restructured and we are on course for breaking even in the coming year," said Mr McGoldrick.

P.J. McGoldrick: brought in as chief executive last year

Aer Lingus has been Ryanair's main problem. Ryanair has been portrayed as the brave David battling the formidable Aer Lingus Goliath. The two have been involved in cut-throat competition on the London, Manchester, Liverpool and Glasgow routes.

The state carrier responded to Ryanair's low fares by dropping its own fares and dramatically increasing capacity.

Mr McGoldrick admits Ryanair took a beating, particularly on the Manchester route. "I never wanted a battle with Aer Lingus.

"Ryanair has proved there is enough business out there for both of us. I'm not going to waste the Ryans' money fighting Aer Lingus," said Mr McGoldrick.

Ironically, one of the most profitable parts of Aer Lingus, which made a pre-tax profit in its last financial year of I£41.3m, is its 15 per cent shareholding in GPA.

There is some public sympathy for Ryanair's plight. Passengers point out that, before Ryanair arrived on the scene, an unrestricted London-Dublin air fare could cost as much as I£200. Now a similar ticket can be as low as I£70. Air traffic in and out of Ireland has improved dramatically from 1.85m passengers in 1985 to a projected 4.2m this year.

"Ryanair has been responsible for opening up new regional airports in Ireland. It pioneered use of the much-derided Knock airport in the west of Ireland and now operates 2,000 flights each year from there to its main UK base at Luton.

Aer Lingus has complained bitterly about a recent Irish Government decision allowing Ryanair exclusive rights on routes to Liverpool, Stansted and Munich. Mr Seamus Brennan, Ireland's Minister for Tourism and Transport, was given the message that if the routes were not granted, Ryanair could be permanently grounded.

Mr Brennan said Ryanair had played an important role in recent changes in Irish aviation and its new routes were necessary "to ensure that its contribution continues."

Aer Lingus has said the implications of the Government's decision were extremely serious. Workers at the state airline accused the Government of favouring private over state enterprises. Attention will now be focused on just how quickly Ryanair can pull itself out of the red.

It has been forced to withdraw from unprofitable routes, such as London-Amsterdam and London-Brussels, and is now concentrating on expanding regional services in and out of Ireland's airports. It is also making considerable investments in tourism infrastructure in Ireland.

Leasing planes has proved an expensive exercise. Three of six BAC 111's on lease from the Romanian carrier Tarom, along with their Romanian pilots, are being returned this winter.

Ryanair now has three of the advanced turbo prop, French/Italian ATR's on a lease/option arrangement from GPA. It has another 10 ATR's on order.

"The ATR is a state-of-the-art aircraft ideal for making connections between Dublin or Ireland's regional airports and Britain and the continent" said Mr McGoldrick. He feels further traffic expansion in and out of Ireland is inevitable.

"When the Channel Tunnel is completed, Ireland will be the only EC country without a landbridge to the continent. Air access is going to be vital."

The Irish Government has thrown Ryanair a lifeline by granting it exclusive routes. But those routes have only been granted for three years. If Ryanair is not in the black by 1992 even the pockets of Mr Ryan might not be deep enough to bail out the young upstart of the Irish skies.

Rabobank opens Spanish link

By Peter Bruce in Madrid

RABOBANK, the big Dutch co-operative bank, has paid Fl 60m ($28.5m) to buy a 1.25 per cent stake in Banco Popular, one of Spain's big commercial banks, in an effort to tap into the growing commercial links between the two countries.

The purchase, which will give Rabobank a seat on the Popular board, is the third small stake taken by European institutions in Popular this year. Allianz, the West German insurer, has a 3.7 per cent stake and the Bayerische Hypotheken-und Wechsel-Bank has 1.3 per cent.

Popular uses these stakes as a way of collecting powerful European allies to fend off what its co-president, Mr Javier Valls, yesterday called "sharks in the market." In return, Allianz, Hypo-Bank and, now, Rabobank are able to make use of Popular's extensive domestic branch network in Spain. Mr Valls said Popular remained open to advances from other European institutions.

Mr Henry Klarenbeek, Rabobank's deputy chairman, said in Madrid he expected the alliance to generate up to Fl 200m of business in the next few years.

Sandoz sales up to SFr9.48bn

By John Wicks in Zurich

SANDOZ, The Swiss chemicals and pharmaceuticals group, yesterday announced a 25 per cent increase in sales to SFr9.48bn ($5.85bn) for the first nine months of 1989.

Group earnings for the period are substantially higher than for the comparable nine months in 1988, Sandoz said, without giving details. It expected a considerable increase in profit for the full year.

The 1988 group profits totalled SFr761m on turnover of SFr10.15bn. So far this year, all divisions reported a rise in sales of at least 15 per cent.

Legal action launched over use of Deloitte name

By Richard Waters

LEGAL action was launched yesterday over the use of the name Deloitte, following the break-up of the international accountancy firm Deloitte Haskins & Sells.

A writ was issued by the firm's UK partners, seeking an injunction preventing the US partners from using the name in the UK. The action is also against the UK partners of Touche Ross, which has merged with the rump of Deloitte's international firm.

The Deloitte name has been in use in the UK since 1845, when William Welch Deloitte first began practising as an accountant. This firm linked up with the US firm Haskins & Sells in 1978. The association broke up last month when it emerged that Deloitte in the UK had decided to merge with Coopers & Lybrand, rather than Touche.

The UK partners may claim the link with the US was not a full merger, and they still own the goodwill in the Deloitte name. This argument follows a common view of international accountancy firms, that they are loose associations rather than unified entities.

Nobel forecasts SKr1.1bn profit

By John Burton in Stockholm

NOBEL INDUSTRIES, the Swedish industrial conglomerate with interests in armaments and chemicals, yesterday predicted profits after financial items will rise 17 per cent from SKr934m ($144m) to around SKr1.1bn in 1989.

Reported profits during the first eight months rose 45 per cent to SKr661m, while sales increased 12 per cent to SKr14.3bn.

Sales grew in all areas, except biotechnology where revenues fell 12 per cent.

Wärtsilä in Dutch deal

By Enrique Tessieri in Helsinki

WARTSILA, the Finnish diesel, securities and sanitary equipments group, has acquired a 60 per cent stake in Stork-Werkspoor Diesel, the Dutch medium-speed diesel company.

Stork-Werkspoor Diesel, with sales of around FM400m ($93m), will retain the 40 per cent minority shareholding in the company. The acquisition will strengthen Wärtsilä's position as the world's leading supplier of medium-speed diesel engines, the Finnish company said.

Earlier this year, Wärtsilä acquired an important presence in high-speed diesel engines through the purchase of 42 per cent of SACM Diesel of France. Wärtsilä's diesel division, which increased sales by 6 per cent to FM874m for the first eight months of 1989, accounts for around 40 per cent of group total turnover.

In August this year, it reduced to 19 per cent from 70 per cent its shareholding in Wärtsilä Marine, the loss-laden shipbuilding group.

Restructuring hits Nokia

By Enrique Tessieri

NOKIA, Finland's largest listed company, says sales for the first eight months of 1989 rose to FM13.72bn ($3.2bn) from FM13.48bn for the same period last year.

Operating profit improved to FM482m from FM435m but profit before tax and minority interests dropped to FM256m from FM402m.

Net profit fell to FM181m from FM230m.

Mr Jorma Ollila, senior vice president, said profits are not expected to improve until next year, due to present restructuring efforts.

Nokia expects net sales for 1989 as a whole to top FM22bn and operating profit to emerge at around FM977m. However, net profit for this year is forecast to fall substantially short of last year's FM1.15bn.

The data division maintained sales at FM3.02bn and cables and machinery managed a 5.8 per cent gain to FM2.69bn. Telecommunications turnover jumped by 49.8 per cent to FM1.3bn.

GENMIN GROUP

GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 30 SEPTEMBER 1989

All companies mentioned are incorporated in the Republic of South Africa

- **Working profit maintained at R181 million**
- **Unit cost increase contained to 2%**

STILFONTEIN Gold Mining Company Limited

Company Registration No. 05/23412/06

V.C.R. stoping reduces profit margin

Issued capital—13 062 920 shares of 50 cents each.

OPERATING RESULTS		Quarter ended 30.9.1989	Quarter ended 30.6.1989	9 months ended 30.9.1989
Mined	(m²)	54 918	40 986	132 453
Ore milled—underground	(t)	238 000	218 000	607 000
—surface dumps	(t)	287 000	287 000	802 000
—total	(t)	525 000	505 000	1 409 000
Yield—underground	(g/t)	4,1	4,2	4,5
—surface dumps	(g/t)	1,0	1,1	1,1
—combined	(g/t)	2,4	2,4	2,5
Gold produced	(kg)	1 246	1 226	3 582
Working revenue	(R/kg)	32 374	32 122	31 902
Working costs	(R/kg)	31 009	28 855	29 611
	(R/t milled)	73,59	69,99	75,28
Working income	(R/kg)	1 365	3 267	2 291
Gold price received	(R/kg)	32 324	32 033	31 858
	($/oz)	367	375	378

FINANCIAL RESULTS (R'000)			
Working revenue	40 338	39 349	114 274
Working costs	38 637	35 347	106 068
Working income	1 701	4 002	8 206
Sundry income—net	2 108	1 115	4 842
Proceeds of insurance claim	126	–	2 146
Tribute payments—net	759	1 988	3 167
Income before taxation and State's share of income	3 176	3 129	11 827
Taxation and State's share of income	337	(527)	2 325
Dividend received—Chemwes	–	24 000	24 000
Income after taxation and State's share of income	2 839	27 656	33 502
Capital expenditure	68	340	574
Dividend declared	–	26 126	26 126

DEVELOPMENT		Quarter ended 30.9.1989 Vaal Reef	V.C.R.	Quarter ended 30.6.1989 Vaal Reef	V.C.R.	9 months ended 30.9.1989 Vaal Reef	V.C.R.
Advanced	(m)	900	466	897	164	2 695	566
Advanced on reef	(m)	134	207	270	122	667	547
Sampled	(m)	125	225	320	105	630	345
Channel width	(cm)	10	39	11	44	11	42
Average value—gold	(g/t)	124,6	7,9	108,6	16,6	120,0	10,4
—	(cm.g/t)	1 246	311	1 132	739	1 256	441
—uranium	(kg/t)	1,726	0,161	2,386	0,325	2,204	0,198
—	(cm.kg/t)	17,25	6,30	25,28	14,45	24,19	8,39

REMARKS
- Due to declining ore reserves on the Vaal Reef horizon, trial stoping of the lower-grade Ventersdorp Contact Reef (V.C.R.) has been expanded.
- The inflow of ground water has increased from 45 to 70 megalitres per day and appears to have stabilised at this level. This has increased pumping costs by some R600 000 during the quarter.
- Estimated capital expenditure for the next six months—R3,2 million.

Chemwes Limited

Company Registration No. 64/02278/06
(A subsidiary of Stilfontein Gold Mining Company Limited)

Plant leased to Stilfontein

Issued capital—1 000 shares of R1 each.

FINANCIAL RESULTS (R'000)	Quarter ended 30.9.1989	Quarter ended 30.6.1989	9 months ended 30.9.1989
Uranium			
Net income after taxation	1 764	2 850	4 651
Capital expenditure	–	–	18
Dividend declared	–	30 000	30 000

REMARKS
- Stilfontein Gold Mining Company Limited has leased a portion of the Chemwes plant to process gold-bearing dump material.

The GROOTVLEI Proprietary Mines Limited

Company Registration No. 01/02088/06

Improved yield maintained

Issued capital—11 438 816 stock units of 25 cents each.

OPERATING RESULTS		Quarter ended 30.9.1989	Quarter ended 30.6.1989	9 months ended 30.9.1989
Mined	(m²)	42 183	46 000	152 849
Ore milled—underground	(t)	174 000	189 000	531 137
—surface dumps	(t)	13 000	7 000	32 863
—total	(t)	187 000	196 000	564 000
Yield—underground	(g/t)	4,1	4,0	3,6
—surface dumps	(g/t)	1,0	0,7	1,0
—combined	(g/t)	3,9	3,9	3,5
Gold produced	(kg)	731	760	2 219
Working revenue	(R/kg)	32 586	31 781	31 758
Working costs	(R/kg)	32 233	31 281	31 650
	(R/t milled)	127,31	[illegible]	[illegible]
Working income	(R/kg)	333	700	[illegible]
Gold price received	(R/kg)	32 462	31 687	31 681
	($/oz)	370	386	388

FINANCIAL RESULTS (R'000)			
Working revenue	24 034	24 161	73 547
Working costs	23 788	23 829	[illegible]
Working income	[illegible]	[illegible]	[illegible]
Sundry income—net	[illegible]	[illegible]	[illegible]
Tribute payments—net	[illegible]	[illegible]	[illegible]
Income before taxation	[illegible]	[illegible]	[illegible]
Taxation	[illegible]	[illegible]	[illegible]
Income after taxation	[illegible]	[illegible]	[illegible]
Capital recoupment	[illegible]	[illegible]	[illegible]
Dividend declared	[illegible]	[illegible]	[illegible]

DEVELOPMENT		Quarter ended 30.9.1989			Quarter ended 30.6.1989			9 months ended 30.9.1989		
Advanced	(m)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Advanced on reef	(m)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sampled	(m)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Channel width	(cm)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average value—gold	(g/t)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
—	(cm.g/t)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

REMARKS
- Estimated capital expenditure for the next six months—R0,2 million.

Marievale mine

(A division of Randex Limited)

Reduced scale of operations

OPERATING RESULTS		Quarter ended 30.9.1989	Quarter ended 30.6.1989
Mined	(m²)	11 056	11 610
Ore milled—underground	(t)	54 000	58 000
—surface dumps	(t)	40 000	49 000
—total	(t)	94 000	107 000
Yield—underground	(g/t)	[illegible]	[illegible]
—surface dumps	(g/t)	[illegible]	[illegible]
—combined	(g/t)	[illegible]	[illegible]
Gold produced	(kg)	[illegible]	[illegible]
Working revenue	(R/kg)	[illegible]	[illegible]
Working costs	(R/kg)	[illegible]	[illegible]
	(R/t milled)	[illegible]	[illegible]
Working income/(loss)	(R/kg)	[illegible]	[illegible]
Gold price received	(R/kg)	[illegible]	[illegible]
	($/oz)	[illegible]	[illegible]

FINANCIAL RESULTS (R'000)		
Working revenue	[illegible]	[illegible]
Working costs	[illegible]	[illegible]
Working income/(loss)	[illegible]	[illegible]
Sundry income—net	[illegible]	[illegible]
Income before taxation	[illegible]	[illegible]
Capital expenditure	[illegible]	[illegible]

DEVELOPMENT			
Advanced	(m)	[illegible]	[illegible]
Advanced on reef	(m)	[illegible]	[illegible]
Sampled	(m)	[illegible]	[illegible]
Channel width	(cm)	[illegible]	[illegible]
Average value—gold	(g/t)	[illegible]	[illegible]
	(cm.g/t)	[illegible]	[illegible]

REMARKS
- The available ore reserves are insufficient to maintain profitable mining at the present level, and operations are being scaled down.
- Estimated capital expenditure for the next six months—Nil.

BRACKEN Mines Limited

Company Registration No. 58/01128/06

Planned scale-down effective

Issued capital—14 000 000 shares of 90 cents each.

OPERATING RESULTS		Quarter ended 30.9.1989	Quarter ended 30.6.1989	Year ended 30.9.1989
Mined	(m²)	39 683	47 617	184 859
Ore milled	(t)	154 000	164 000	687 000
Yield	(g/t)	3,5	3,4	3,2
Gold produced	(kg)	537	556	2 223
Working revenue	(R/kg)	34 009	32 571	33 242
Working costs	(R/kg)	30 223	30 265	31 138
	(R/t milled)	105,39	102,42	100,76
Working income	(R/kg)	3 786	2 306	2 104
Gold price received	(R/kg)	32 387	32 156	32 013
	($/oz)	370	379	381

FINANCIAL RESULTS (R'000)			
Working revenue	18 263	18 077	73 896
Working costs	16 230	16 797	69 219
Working income	2 033	1 280	4 677
Sundry income—net	2 123	717	3 733
Tribute and royalty payments—net	3	100	110
Income before taxation and State's share of income	4 153	1 897	8 300
Taxation and State's share of income	569	362	1 298
Income after taxation and State's share of income	3 584	1 535	7 002
Capital expenditure	676	340	1 369
Dividend declared	4 200	–	5 600

DEVELOPMENT—Kimberley Reef				
Advanced	(m)	485	414	2 133
Advanced on reef	(m)	128	93	318
Sampled	(m)	127	98	318
Channel width	(cm)	9	9	12
Average value—gold	(g/t)	51,9	97,2	51,3
	(cm.g/t)	467	875	615

REMARKS
- Estimated capital expenditure for the next six months—R1,0 million.
- Final dividend No. 54 of 30 cents per share was declared.

BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 05/33934/06

Steady performance

Issued capital—11 000 000 ordinary shares of R1 each.
—12 400 158 cumulative preference shares of R1 each.

OPERATING RESULTS		Quarter ended 30.9.1989	Quarter ended 30.6.1989
Gold			
Mined	(m²)	130 589	129 235
Ore milled	(t)	585 000	584 000
Yield	(g/t)	6,2	6,3
Gold produced	(kg)	3 651	3 684
Working revenue	(R/kg)	32 374	31 859
Working costs	(R/kg)	26 380	26 040
	(R/t milled)	164,84	163,38
Working income	(R/kg)	5 994	5 959
Gold price received	(R/kg)	32 311	31 851
	($/oz)	369	377
Uranium			
Pulp treated	(t)	586 000	582 000
Oxide produced	(t)	100	98
Yield	(kg/t)	0,17	0,17

FINANCIAL RESULTS (R'000)		
Gold—Working revenue	118 187	117 243
—Working costs	96 313	95 411
—Working income	21 874	21 832
Uranium—Working income	6 508	5 295
Sundry income—net	4 264	4 320
Tribute payments—net	4 208	3 582
Income before taxation and State's share of income	28 437	28 165
Taxation and State's share of income	14 389	10 238
Dividend received—Chemwes	6 000	–
Share of income—Beatrix mine	1 895	2 857
Income after taxation and State's share of income	21 943	20 774
Capital expenditure	3 134	3 430
Dividends declared—ordinary shares	–	41 250
—preference shares	–	16 000

DEVELOPMENT—Vaal Reef and limited 'C' Reef			
Advanced	(m)	5 768	5 276
Advanced on reef	(m)	469	325
Sampled	(m)	376	326
Channel width	(cm)	72	97
Average value—gold	(g/t)	16,2	12,2
	(cm.g/t)	1 169	1 187
—uranium	(kg/t)	0,440	0,285
	(cm.kg/t)	31,09	28,83

REMARKS
- Estimated capital expenditure for the next six months—R6,7 million.

Beatrix mine

(A division of Buffelsfontein Gold Mining Company Limited)

Higher costs reduce profits

In terms of an agreement, 16 percent of the distributable income from the Beatrix mine is attributable to Buffelsfontein and 84 percent to Beatrix Mines Limited.

OPERATING RESULTS		Quarter ended 30.9.1989	Quarter ended 30.6.1989
Mined	(m²)	123 889	123 337
Ore milled	(t)	544 000	540 000
Yield	(g/t)	6,0	6,1
Gold produced	(kg)	3 264	3 301
Working revenue	(R/kg)	32 153	32 013
Working costs	(R/kg)	19 721	18 570
	(R/t milled)	118,33	113,51
Working income	(R/kg)	12 432	13 443
Gold price received	(R/kg)	32 101	31 942
	($/oz)	[illegible]	379

FINANCIAL RESULTS (R'000)		
Working revenue	104 947	105 676
Working costs	64 369	61 298
Working income	40 578	44 377
Sundry income—net	2 391	3 130
Royalty payments—Beatrix Mines Limited	15 742	16 851
Income before taxation	27 127	31 656
Provision for taxation	12 947	8 228
Taxation recoveries—Buffelsfontein	14 180	23 428
Income after taxation	[illegible]	[illegible]
Capital appropriation	2 263	27 018
Dividend on preference shares	10 000	15 000

DEVELOPMENT—Beatrix Reef			
Advanced	(m)	9 289	8 233
Advanced on reef	(m)	1 793	1 875
Sampled	(m)	2 249	1 875
Channel width	(cm)	53	55
Average value—gold	(g/t)	12,5	12,3
	(cm.g/t)	662	677

REMARKS
- Estimated capital expenditure for the next six months—R9,0 million.
- The attention of shareholders is drawn to the quarterly report of Beatrix Mines Limited, which appears elsewhere in this edition.

WEST RAND Consolidated Mines Limited

Company Registration No. 01/01978/06

Continued improvement

Issued capital—4 250 000 ordinary shares of R1 each.
— 25 000 deferred shares of R2 each.

OPERATING RESULTS		Quarter ended 30.9.1989	Quarter ended 30.6.1989	9 months ended 30.9.1989
Mined	(m²)	26 061	23 936	80 686
Ore milled—underground	(t)	85 000	81 000	270 000
—surface dumps	(t)	130 000	157 000	501 000
—total	(t)	216 000	238 000	771 000
Yield—underground	(g/t)	5,8	6,0	5,1
—surface dumps	(g/t)	0,5	0,5	0,5
—combined	(g/t)	2,6	2,0	2,1
Gold produced	(kg)	562	480	1 627
Working revenue	(R/kg)	32 479	32 310	31 944
Working costs	(R/kg)	28 890	32 764	34 041
	(R/t milled)	75,17	66,08	71,83
Working income/(loss)	(R/kg)	3 589	(454)	(2 097)
Gold price received	(R/kg)	32 398	32 086	31 855
	($/oz)	370	375	381

FINANCIAL RESULTS (R'000)			
Working revenue	18 253	15 509	51 973
Working costs	16 236	15 727	55 384
Working income/(loss)	2 017	(218)	(3 411)
Sundry income—net	1 570	988	3 329
Tribute and royalty payments—net	1 550	–	1 550
Income/(loss) before taxation	2 037	770	(1 632)
Taxation	–	–	–
Income/(loss) after taxation	2 037	770	(1 632)
Capital recoupment	83	317	787

DEVELOPMENT				
Advanced	(m)	832	986	2 794
Advanced on reef	(m)	560	494	1 658
Sampled	(m)	558	486	1 508
Channel width	(cm)	163	144	168
Average value—gold	(g/t)	9,4	7,4	7,5
—	(cm.g/t)	1 530	1 072	1 258

REMARKS
- Estimated capital expenditure for the next six months—Nil.

UNISEL Gold Mines Limited

Company Registration No. 72/10604/06

Costs contained

Issued capital—28 000 000 shares of no-par value.

OPERATING RESULTS		Quarter ended 30.9.1989	Quarter ended 30.6.1989	Year ended 30.9.1989
Mined	(m²)	44 108	42 503	172 184
Ore milled	(t)	268 000	270 000	1 087 000
Yield	(g/t)	6,0	5,9	5,9
Gold produced	(kg)	1 609	1 605	6 287
Working revenue	(R/kg)	32 379	32 160	32 089
Working costs	(R/kg)	18 682	18 976	18 617
	(R/t milled)	112,16	112,80	109,70
Working income	(R/kg)	13 697	13 184	13 472
Gold price received	(R/kg)	32 259	32 023	31 957
	($/oz)	369	375	390

FINANCIAL RESULTS (R'000)			
Working revenue	52 098	51 616	201 741
Working costs	30 060	30 457	117 048
Working income	22 038	21 159	84 693
Sundry income—net	4 534	1 815	8 209
Milling fee paid	1 716	1 753	7 121
Income before taxation and State's share of income	24 856	21 221	85 781
Taxation and State's share of income	11 939	8 911	36 245
Income after taxation and State's share of income	12 917	12 310	49 536
Capital expenditure	4 354	4 606	20 278
Dividend declared	16 800	–	29 400

DEVELOPMENT		Quarter ended 30.9.1989 Basal Reef	Leader Reef	Middle Reef	"A" Reef	"B" Reef	Quarter ended 30.6.1989 Basal Reef	Leader Reef	Middle Reef	"A" Reef	"B" Reef	Year ended 30.9.1989 Basal Reef	Leader Reef	Middle Reef	"A" Reef	"B" Reef
Advanced	(m)	3 167	369	49	–	–	2 292	601	117	–	6	8 387	2 670	307	35	6
Advanced on reef	(m)	59	66	7	–	–	176	349	35	–	6	482	1 051	185	35	6
Sampled	(m)	128	73	7	–	–	112	278	24	–	6	427	877	148	29	6
Channel width	(cm)	143	201	96	–	–	136	168	136		169	135	202	98	158	169
Average value—gold	(g/t)	7,3	2,7	8,4	–	–	11,4	2,5	3,5	–	1,9	11,8	2,8	5,6	0,9	1,9
—	(cm.g/t)	1 045	544	811	–	–	1 555	411	476	–	316	1 463	532	535	134	316

REMARKS
- Estimated capital expenditure for the next six months—R15 million.
- Final dividend No. 20 of 60 cents per share was declared.

LESLIE Gold Mines Limited

Company Registration No. 59/01124/06

Dump milling stopped

Issued capital—16 000 000 shares of 65 cents each.

OPERATING RESULTS		Quarter ended 30.9.1989	Quarter ended 30.6.1989	Year ended 30.9.1989
Mined	(m²)	[illegible]	[illegible]	[illegible]
Ore milled—underground	(t)	[illegible]	[illegible]	[illegible]
—surface dumps	(t)	[illegible]	[illegible]	[illegible]
—total	(t)	[illegible]	[illegible]	[illegible]
Yield—underground	(g/t)	[illegible]	[illegible]	[illegible]
—surface dumps	(g/t)	[illegible]	[illegible]	[illegible]
—combined	(g/t)	[illegible]	[illegible]	[illegible]
Gold produced	(kg)	[illegible]	[illegible]	[illegible]
Working revenue	(R/kg)	[illegible]	[illegible]	[illegible]
Working costs	(R/kg)	[illegible]	[illegible]	[illegible]
	(R/t milled)	[illegible]	[illegible]	[illegible]
Working income	(R/kg)	[illegible]	[illegible]	[illegible]
Gold price received	(R/kg)	[illegible]	[illegible]	[illegible]
	($/oz)	[illegible]	[illegible]	[illegible]

FINANCIAL RESULTS (R'000)			
Working revenue	[illegible]	[illegible]	[illegible]
Working costs	[illegible]	[illegible]	[illegible]
Working income	[illegible]	[illegible]	[illegible]
Sundry income—net	[illegible]	[illegible]	[illegible]
Tribute and royalty payments—net	[illegible]	[illegible]	[illegible]
Income before taxation and State's share of income	[illegible]	[illegible]	[illegible]
Taxation and State's share of income	[illegible]	[illegible]	[illegible]
Income after taxation and State's share of income	[illegible]	[illegible]	[illegible]
Capital expenditure	[illegible]	[illegible]	[illegible]
Dividend declared	[illegible]	[illegible]	[illegible]

DEVELOPMENT—Kimberley Reef				
Advanced	(m)	[illegible]	[illegible]	[illegible]
Advanced on reef	(m)	[illegible]	[illegible]	[illegible]
Sampled	(m)	[illegible]	[illegible]	[illegible]
Channel width	(cm)	[illegible]	[illegible]	[illegible]
Average value—gold	(g/t)	[illegible]	[illegible]	[illegible]
	(cm.g/t)	[illegible]	[illegible]	[illegible]

REMARKS
- Exploration development into the northern block is continuing.
- The dump milling operation is not viable at the present gold price.
- Estimated capital expenditure for the next six months—R1,2 million.
- Final dividend No. 50 of 40 cents per share was declared.

KINROSS Mines Limited

Company Registration No. 63/06228/06

Profits maintained

Issued capital—18 000 000 stock units of R1 each.

OPERATING RESULTS		Quarter ended 30.9.1989	Quarter ended 30.6.1989	Year ended 30.9.1989
Mined	(m²)	124 728	113 965	475 436
Ore milled	(t)	535 000	526 000	2 106 000
Yield	(g/t)	5,7	5,7	5,7
Gold produced	(kg)	3 050	3 001	12 001
Working revenue	(R/kg)	32 746	31 895	32 176
Working costs	(R/kg)	18 779	18 503	18 539
	(R/t milled)	107,06	105,57	105,64
Working income	(R/kg)	13 967	13 392	13 637
Gold price received	(R/kg)	32 518	31 762	31 983
	($/oz)	371	384	394

FINANCIAL RESULTS (R'000)			
Working revenue	99 875	95 717	386 148
Working costs	57 277	55 528	222 487
Working income	42 598	40 189	163 661
Tribute and royalties—net	156	–	156
	42 754	40 189	163 817
Sundry income—net	4 532	4 552	13 869
Income before taxation and State's share of income	47 286	44 741	177 686
Taxation and State's share of income	24 060	23 829	95 141
Income after taxation and State's share of income	23 226	20 912	82 545
Capital expenditure	10 036	7 231	28 995
Dividend declared	27 000	–	54 000

DEVELOPMENT—Kimberley Reef				
Advanced	(m)	2 936	3 174	12 993
Advanced on reef	(m)	1 082	1 047	4 621
Sampled	(m)	1 101	988	4 523
Channel width	(cm)	36	33	33
Average value—gold	(g/t)	14,4	21,5	21,9
—	(cm.g/t)	517	710	721

REMARKS
- Estimated capital expenditure for the next six months—R10 million.
- Final dividend No. 43 of 150 cents per stock unit was declared.

WINKELHAAK Mines Limited

Company Registration No. 55/03606/06

Improved stoping at No. 6 Shaft

Issued capital—12 180 000 shares of R1 each.

OPERATING RESULTS		Quarter ended 30.9.1989	Quarter ended 30.6.1989	Year ended 30.9.1989
Mined	(m²)	127 921	122 468	524 672
Ore milled	(t)	509 000	496 000	2 015 000
Yield	(g/t)	5,6	5,6	5,6
Gold produced	(kg)	2 850	2 801	11 331
Working revenue	(R/kg)	32 861	32 378	32 405
Working costs	(R/kg)	21 620	20 896	20 668
	(R/t milled)	121,05	118,00	116,22
Working income	(R/kg)	11 241	11 482	11 737
Gold price received	(R/kg)	32 421	32 006	32 018
	($/oz)	370	378	391

FINANCIAL RESULTS (R'000)			
Working revenue	93 653	90 690	367 182
Working costs	61 616	58 529	234 193
Working income	32 037	32 161	132 989
Sundry income—net	3 827	2 725	10 698
Tribute and royalty payments—net	247	(20)	604
Income before taxation and State's share of income	35 617	34 906	143 083
Taxation and State's share of income	7 905	6 353	40 927
Income after taxation and State's share of income	27 712	28 553	102 156
Capital expenditure	17 803	19 920	63 665
Dividend declared	18 270	–	38 367

DEVELOPMENT—Kimberley Reef				
Advanced	(m)	4 709	3 921	15 582
Advanced on reef	(m)	1 240	734	3 162
Sampled	(m)	740	657	2 388
Channel width	(cm)	84	77	78
Average value—gold	(g/t)	10,8	13,9	15,0
—	(cm.g/t)	906	1 070	1 168

REMARKS
- Stoping at No. 6 Ventilation Shaft is progressing satisfactorily. Tonnage output is ahead of schedule and the grade has improved.
- At the No. 6 Main Shaft, excavation of the loading station is in progress and is on schedule.
- Estimated capital expenditure for the next six months—R44 million.
- Final dividend No. 59 of 150 cents per share was declared.

ST. HELENA Gold Mines Limited

Company Registration No. 05/20743/06

Improved yield

Issued capital—9 625 000 ordinary shares of R1 each.
—3 825 036 'A' cumulative preference shares of R1 each.
—3 825 036 'B' cumulative preference shares of R1 each.
—2 466 000 'C' cumulative preference shares of R1 each.

OPERATING RESULTS		Quarter ended 30.9.1989	Quarter ended 30.6.1989	9 months ended 30.9.1989
Mined	(m²)	117 217	110 765	331 671
Ore milled	(t)	500 000	530 000	1 570 000
Yield	(g/t)	5,3	5,0	5,1
Gold produced	(kg)	2 655	2 650	8 005
Working revenue	(R/kg)	32 485	32 157	31 939
Working costs	(R/kg)	27 640	27 893	27 538
	(R/t milled)	146,77	139,47	140,41
Working income	(R/kg)	4 845	4 264	4 401
Gold price received	(R/kg)	32 360	32 080	31 865
	($/oz)	367	374	379

FINANCIAL RESULTS (R'000)			
Working revenue	86 248	85 215	255 671
Working costs	73 384	73 917	220 439
Working income	12 864	11 298	35 232
Sundry income—net	2 449	3 003	8 105
Income before taxation and State's share of income	15 313	14 301	43 337
Taxation and State's share of income	1 498	1 431	3 669
Income after taxation and State's share of income	13 815	12 870	39 668
Taxation offset on Oryx capital expenditure	5 159	3 994	13 680
Attributable to ordinary shareholders	8 656	8 876	25 988
Capital expenditure	2 752	702	4 782
Dividend declared	–	15 400	15 400

DEVELOPMENT		Quarter ended 30.9.1989 Basal Reef	Leader Reef	Quarter ended 30.6.1989 Basal Reef	Leader Reef	9 months ended 30.9.1989 Basal Reef	Leader Reef
Advanced	(m)	2 680	104	3 301	349	9 041	613
Advanced on reef	(m)	513	69	448	140	1 222	308
Sampled	(m)	557	65	372	153	1 172	345
Channel width	(cm)	120	147	109	233	118	203
Average value—gold	(g/t)	7,0	4,2	10,1	4,0	7,9	3,9
—	(cm.g/t)	845	618	1 101	936	935	791

REMARKS
- Estimated capital expenditure for the next six months—R6,9 million.

Oryx mine

(A division of St. Helena Gold Mines Limited)

Sinking of sub-vertical ventilation shaft started

OPERATING RESULTS		Quarter ended 30.9.1989	Quarter ended 30.6.1989	9 months ended 30.9.1989
Beisa Reef				
Ore milled	(t)	24 890	17 966	65 560
Gold produced	(kg)	56	40	146

FINANCIAL RESULTS (R'000)			
Net income after taxation	601	777	2 085
Capital expenditure	74 936	62 543	183 635

SHAFT SINKING
The sinking of the No 1B Shaft by means of a shaft borer, a joint RUC-Thyssen venture, was completed to the final depth of 966 metres at the end of August 1989. The sub-vertical ventilation shaft headgear was completed and the pre-sink advanced to 24 metres below 5 level. The sub-vertical main shaft headgear sliping advanced to 60 metres above 5 level.

CONSTRUCTION
The hoist chambers and excavations on 4 and 5 levels were completed during the quarter. Underground development advanced 285 metres (previous quarter 463 metres) and excavation of 17 918 cubic metres (previous quarter 16 922 cubic metres) was completed.
Civil, mechanical and electrical construction is proceeding according to plan.

REMARKS
- Reef structures have been further delineated after completion of the drilling programme. Detailed planning is being undertaken to optimise the mining layout. Current projections suggest that initial stoping will be delayed by six months, to the end of 1991. The target date for full production, at 100 000 tons per month, remains unchanged.
- Capital expenditure is financed by loans from Oryx Gold Holdings Limited.
- To date capital expenditure of R366 million has been committed, of which R329 million has been spent.
- The attention of shareholders is drawn to the quarterly report of Oryx Gold Holdings Limited, which appears elsewhere in this edition.

NOTES
1. On 18 October 1989 dividends were declared by certain of the abovementioned companies, payable to members registered at the close of business on 3 November 1989.
   The registers of members of the companies will be closed from 4 November 1989 to 17 November 1989, both days inclusive.
   The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 1 December 1989, or the first day thereafter on which a rate of exchange is available.
   Dividend warrants will be posted on 15 December 1989.
   In the case of non-resident shareholders, taxation of 15 percent will be deducted.
   The full conditions of payment may be inspected at or obtained from the registered office.
2. Development values represent actual results of sampling. No allowance has been made for any adjustments which may be necessary when estimating ore reserves.
3. All financial figures are unaudited.
4. The quarterly reports have been approved by the respective boards.

Johannesburg, 13 October 1989

Registered and head office
General Mining Building
6 Hollard Street
Johannesburg 2001
(PO Box 61820, Marshalltown 2107)

London office
Gencor (UK) Limited
30 Ely Place
London EC1N 6UA

Transfer offices
South Africa:
Central Registrars Limited
154 Market Street, Johannesburg 2001
(PO Box 4844, Johannesburg 2000)
United Kingdom:
Barclays Registrars Limited
6 Greencoat Place
London SW1P 1PL

Copies are available from the London office

GENCOR GROUP

JONSSONS

INTERNATIONAL COMPANIES AND FINANCE

Shearson boosted by profit on sale of unit

By Martin Dickson in New York

SHEARSON LEHMAN Hutton, one of Wall Street's biggest investment banks, yesterday reported third quarter net income of $66m, compared with a loss of $3m in the same period of last year.

The improvement was due in part to a pre-tax gain of $77m ($37m after tax) from the sale of the institutional money management business of Lehman Management, which had already been announced.

But Shearson also attributed the increase to higher commissions and revenues from market making and transactions where the bank was involved as a principal.

It said these improvements, together with an increase in net interest income, more than offset lower investment banking revenues and an increase in expenses, which were up despite a drop in fixed costs.

Results from the same quarter of last year included $25m of pre-tax expenses relating to the bank's takeover of E.F. Hutton.

Net income per share on the group's enlarged equity capital was $.64 in the quarter, against a net loss of $.11 a year ago.

Net income for the first nine months of the year totalled $106m, down 3 per cent, while net income per share was $.98, down from $1.05.

Commission revenues totalled $522m in the third quarter, up from $351m.

Revenues from market making and principal transactions were $321m, up from $273m, which the company said reflected the strength of its fixed income business.

However, investment banking revenues fell from $302m to $205m, which the bank said was due in part to the continued slowdown of underwriting business.

Interest and dividend income, net of interest expenses, totalled $101m, up from $52m, due in part to a higher level of income from the company's investments as a principal in corporate deals.

Dow Chemical slips 7% in spite of record sales

By Karen Zagor in New York

DOW CHEMICAL, one of the biggest US chemicals companies, yesterday reported a decline in third quarter earnings in spite of record sales for the period.

The decline in third quarter earnings reflects a slowing in the boom conditions in Dow's main markets which helped push first quarter earnings up 47 per cent and second quarter earnings ahead by 17 per cent.

Net income for the three months ended September 30 fell 7 per cent to $589m or $3.29 a share from $632m or $3.36 a year earlier. Sales advanced to $4.25bn from $4.15bn.

The Midland, Michigan company said its chemicals and performance products posted sales of $1.37bn, up 5 per cent in the quarter. Strong contributors were Dowanol glycol ethers and latex.

Domestic sales advanced 4 per cent to $1.99bn. Sales in Europe rose 7 per cent to $1.27bn with improved local sales offsetting a strong dollar. In the rest of the world, sales slid 6 per cent to $992m.

For the first nine months, net income was $2.06bn or $11.41 on sales of $7.77bn, against $1.76bn or $9.32 on sales of $7.37bn.

Sales in the plastics segment fell 4 per cent to $1.67bn. Dow said polyethylene prices were hurt by summer inventory corrections and the increased availability of ethylene.

The company said prices have stabilized entering the fourth quarter after higher demand in September and October. Demand was strong for all of Dow's specialty plastics.

The consumer specialties segment saw sales increase by 11 per cent to $784m, with a strong performance from Merrell Dow Pharmaceuticals.

Mr Enrique Falla, Dow's chief financial officer, said: "In 1988 and 1989 we experienced shortage conditions and unprecedented pricing and margins, particularly in our ethylene derivatives business. As product availability has improved globally, we are returning to sustainable margins in line with our long-term goals."

Monsanto posts strong advance

By Karen Zagor

MONSANTO, the US chemicals and pharmaceuticals group, yesterday moved towards record annual earnings in reporting strong third quarter earnings on a moderate increase in sales.

Net income for the three months ended September 30 was up 9 per cent to $126m from $116m on the previous year while per-share earnings improved 13 per cent to $1.88 from $1.67. Sales for the quarter were $2.06bn, a 2 per cent increase from $2.02bn a year earlier. For the first nine months, net income was $589m or $8.66 on sales of $6.67bn, ahead from $546m or $7.57 on sales of $6.41bn.

Mr Richard Mahoney, chairman and chief executive of the St Louis-based company said: "This is an exciting year for Monsanto. We will set new records for sales and earnings, and make good progress toward our 20 per cent return on equity objective."

The Searle pharmaceutical unit reported a quarterly profit for the first time since it was acquired by Monsanto in 1985. "As recently as 1987, Searle posted operating losses of nearly $120m, and the unit will be profitable this year," said Mr Mahoney. The recent gain was attributed largely to the success Calan group of anti-hypertensive drugs.

The NutraSweet operations, which produces the eponymous artificial sweetener, saw operating income jump to $39m from $37m in the quarter. The company recently said it would double production of thwe sweetener in response to strong demand.

Operating income from agricultural produces was $340m for the quarter, against $351m. The company said operating profits from the agricultural company were hurt by drought conditions in the western US and in Europe which slowed sales of its Roundup herbicide.

Kraft aids Philip Morris surge

By James Buchan in New York

PHILIP MORRIS, the tobacco and food group which is a leading glamour stock on Wall Street, yesterday reported a 20 per cent increase in third quarter net earnings as it continues to gain market share in cigarettes and reaps efficiencies at its expanded food business.

Morris, which last year doubled its food business with the $13bn purchase of Kraft, said yesterday that net earnings rose to $748m or 81 cents per share in the September quarter. Sales rose 45 per cent, including the new Kraft business, to $11.2bn.

The strong third quarter brought earnings at the nine month stage to $2.1bn, also up 21 per cent, or $2.25 per share. Sales rose 45 per cent over the first nine months of 1988, to $33.6bn.

The result, which was broadly as expected on Wall Street, was due to volume gains in domestic cigarettes, where Morris is the market leader. In addition, Morris's international business is growing rapidly with overseas and export volume up 8.5 per cent in the quarter and 7.6 per cent for the first nine months.

In the main food business, which is now known as Kraft General Foods, revenues increased in the quarter and the nine months over the equivalent figures for the separate businesses. Internationally, volume growth increased, primarily in Europe.

Smurfit sell-off funds agreed

By Maggie Urry

JEFFERSON Smurfit, the Irish paper and packaging group, has agreed the $2.9bn of debt finance for the leveraged buy-out of its US interests. Smurfit shares rose 50p to 573p on the London stock market.

Smurfit has increased the equity it is putting into the company which will effect the buy-out from $400m to $500m. Mr Robert Holmes, Smurfit's chief financial officer, said an extra $100m was put in because of the market's nervousness after the collapse of the UAL deal last week.

The deal was first announced in August and is expected to be completed in the second week of December. Only then will the interest rates on the debt be fixed.

The deal involves a new company, called SIBV/MS Holdings, jointly owned by Jefferson Smurfit and Morgan Stanley Leveraged Equity Fund II, a fund run by Morgan Stanley the investment bank.

This company will buy Jefferson Smurfit Corporation, Smurfit's US subsidiary and Container Corporation of America, which is jointly owned by JSC and Morgan Stanley Leveraged Equity Fund I.

Mr Holmes said the new company would probably have an interest bill in its first year of over $300m, but he said the company should be able to pay the debt off within 10 years, if it did not choose to releverage itself again. On a *pro-forma* basis, the new company would have had operating profits in 1988 of $454m.

JSC and Morgan Stanley LEF I jointly acquired CCA in 1986 for $1.1bn. The deal now values CCA at $1.7bn, although the equity portion has risen from $70m, including $50m of preferred stock, to $1bn.

Smurfit and Morgan Stanley LEF II will each buy $200m of ordinary shares in the new company, and Smurfit will also buy $100m of preference shares, making a total of $500m.

Bankers Trust in $1.6bn provision for LDC debt

By Martin Dickson

BANKERS TRUST, the big New York bank, is to make a $1.6bn special provision for possible losses on Third World debt – making it one of the most heavily provisioned of the US banks which have announced additional allowances over the past few weeks.

The bank said the provision was expected to result in a third-quarter loss of about $1.42bn, and a loss for the full year.

The charge brings the bank's allowance for credit losses to $2.9bn, or 14 per cent of total loans at September 30. About $2.6bn of the allowance relates to its loans to refinancing countries, which total $3.6bn.

The provision covers 85 per cent of medium- and long-term Third World loans, or 72 per cent of the total. The most heavily provisioned US bank is J.P. Morgan, which surprised Wall Street last month by announcing a $2bn charge potentially allowing it to write off 100 per cent of medium- and long-term exposure to the Third World and some 68 per cent of total outstandings.

Mr Charles Sanford, chairman, said that after the special provision Bankers Trust remained well capitalised. It had no plans to issue additional capital stock. Recent events offered little encouragement that a resolution of less developed country debt problems would be based on a partnership of common interest among the parties he said.

Wang in red for first quarter, warns on year

WANG Laboratories, the troubled US computer maker, yesterday unveiled a first quarter loss and warned that it was likely to suffer a loss for the full year, agencies report.

However, the group which has been undertaking a restructuring expects to return to profitability by the end of the year.

Wang said it hoped to announce the sale of significant, non-strategic assets in the next few days, the sale of which will reduce debt and interest payments.

It recorded a first quarter loss of $62.1m, compared with a net profit of $16.2m, resulting in a loss of 38 cents per share, compared with earnings of 10 cents.

Revenues fell to $596.8m from $684m.

Last year's figures exclude a $3.1m loss from discontinued operations while those for the current period include a $12.9m pre-tax restructuring charge.

The company said it was pleased that sales had stabilised in September as customer confidence began to be restored.

Honeywell up sharply in third quarter at $74.4m

By Karen Zagor

HONEYWELL, the US electronic controls and avionics group, reported sharply higher third-quarter earnings in spite of flat sales.

Net income for the three months ended October 1 surged to $74.4m or $1.73 a share from a loss of $41.4m or 98 cents a year earlier. Last time earnings were hit by extraordinary pre-tax losses of $85.7m. Sales were $1.73bn.

For the first nine months, the Minneapolis-based company reported net income of $212.1m, or $4.92, against $47.9m or $1.13 on sales which fell to $5.17bn from $5.22bn. Last year's nine month earnings included an extraordinary pre-tax loss of $149.8m.

The space and aviation division's operating profits were up sharply, thanks to continued strength in commercial flight systems and the recovery of the military avionics group.

Operating profits were strong for the home and building automation and control sector in spite of a difficult construction market.

Honeywell expects to sell a 16 per cent stake in its Tokyo-based Yamatake-Honeywell venture for about $260m. The proceeds will be used in its previously announced programme to buy back up to 10m shares.

Growing demand boosts drug groups

By James Buchan

THREE BIG US drug groups have reported strong growth in their profits in the third quarter as they reap the benefit of growing demand for a new generation of prescription drugs.

Led by Merck, the world's largest pharmaceuticals company, the group reported net profits more than 20 per cent higher than in the 1988 third quarter, with sales growth of about 10 per cent.

Sales growth would would have been faster but for the rise in the dollar exchange rate since last year, which caused lower dollar translation of the companies' big overseas sales.

Merck, the Rahway, New Jersey company which has paced the industry in introducing new products in the 1980s, said its net income rose 25 per cent over the 1988 third quarter, to $390.5m or 99 cents a share.

Sales for the quarter rose 11 per cent to $1.65bn.

The strong performance, led by Merck's Mevacor anti-cholesterol drug and its Vasotec blood-pressure therapy, brought earnings after nine months of the year to $1.13bn or $2.85 a share, up 25 per cent, on a 9 per cent gain in sales to $4.79bn.

Eli Lilly, which is riding high on the strength of its Prozac anti-depressant drug, said its net income in the September quarter was 24 per cent ahead at $212.4m or 73 cents a share. Sales increased 11 per cent to $1.04bn.

The Lilly result was flattered by non-recurring gains and a lower tax rate but the company is still enjoying strong volume gaines in its drug and medical instrument businesses.

At the nine-month stage, the Indianapolis company was 22 per cent ahead in net income at $714.2m or $2.45 a share on a 12 per cent gain in sales to $3.39bn.

Warner-Lambert, based in Morris Plains, New Jersey, said its net income rose 22 per cent to $106.9m or $1.58 on sales 7 per cent ahead at $1.11bn. The company is enjoying strong growth in its prescription drug business, led by its Lopid cardiovascular drug, and is sharply increasing its research effort. The company also operates big non-prescription drug and confectionery businesses.

After nine months of the year Warner Lambert's net income was 22 per cent higher than in the first three quarters of 1988 at $320.4m or $4.73 a share.

Sales were 8 per cent higher at $3.15bn.

Mr Joseph Williams, chairman of Warner Lambert, said: "The company's prospects are outstanding."

INTERNATIONAL COMPANIES AND FINANCE

Bond brewing deal delayed over accounts

By Chris Sherwell in Sydney

BOND CORPORATION'S complex A$2.5bn (US$1.9bn) brewing deal with Lion Nathan of New Zealand will not be set formally into motion for another two weeks, apparently *because of delays in producing* its accounts.

Yesterday's notional deadline passed without registration by Bond of documents to buy out the minorities in the 58 per cent-owned Bell Resources, which is to buy Bond's Swan, Tooheys and Castlemaine XXXX breweries and form a joint venture with Lion. But there was movement on one of two other deadlines involving Bond which passed yesterday.

Tenders closed for investors interested in the Western Australian State Government Insurance Commission's 19.9 per cent holding in Bell Group. The commission has an indemnity from Bond guaranteeing it a price of A$2.70 a share which Bond is challenging. If it loses it faces a liability of more than A$150m.

In an unexpected development Bond itself yesterday offered to pay A$3.18 a share for the stake. However, only 30 cents of this would be payable in the short term – next January 4 – with a two-year gap before remaining payments are spread over 10 years from January 1992.

Bond, which controls around 70 per cent of Bell Group, said that if the commission accepted it would extend the offer to other minority Bell Group shareholders. Bell Group shares closed at 27 cents yesterday, up 2 cents.

No response was immediately forthcoming from the insurance commission, nor was it known if any rival offers had been submitted for its holding.

Tenders also closed for the sale of Chifley Square, Bond's property in Sydney's central business district, with expressions of interest by four different groups and continuing discussions with other groups outside the tender process. Bond originally paid around A$300m for the site.

No reason was offered for the brewing delay, but it is understood to relate to the financial state of the Bond companies and the valuation of their assets, and thus to their accounts. These were technically due by the end of September, and Bond has unsuccessfully sought an extension to the end of October. If they are not produced by Monday, the companies face suspension.

The National Companies and Securities Commission (NCSC), Australia's stock market watchdog, has rejected Bond's suggestions that its private investigations into various transactions have delayed the accounts. The commission's investigations are meanwhile continuing.

On Tuesday Mr Bond confirmed that the "difficult trading conditions" the group had experienced over the past six months would be reflected "when we report our figures in the next two weeks."

But the Perth entrepreneur rejected recent suggestions by Barings Securities that the group had a negative net worth. "Bond Corporation has the support of its bankers and is working towards the reduction of debt to a level able to be sustained in the long term," he said in a letter to a local newspaper.

POSEIDON PLANS TO RAISE A$316M IN SHARE PLACEMENT

POSEIDON, the expanding Australian gold company controlled by Mr Robert Champion de Crespigny, is to raise A$316m (US$243m) through a share placement and rights issue, writes Chris Sherwell.

This follows Monday's full bid for Poseidon Exploration and the disclosure that Freeport McMoRan, the US minerals group, has reduced its stake in Poseidon from 14.6 per cent to 8.3 per cent.

It also follows Poseidon's acquisition from Mr Alan Bond last month of a 20 per cent stake, together with management control, of Gold Mines of Kalgoorlie (GMK).

Poseidon is placing 19m shares at A$2.70 and making a one-for-two rights issue at A$2 with attaching options. Proceeds are "for ongoing acquisition activities."

Large-scale retrenchment helps Gencor lift profits

By Jim Jones in Johannesburg

LARGE-SCALE retrenchments in the past year have continued to curb costs and boost profits at many of the mines managed by Gencor, South Africa's second largest mining house.

Employment has been cut to about 77,000 from 95,000, and costs have risen by only 7 per cent, with 2 per cent coming in the latest quarter to September. Some mines have ore reserves nearing exhaustion.

Mr Gregory Maude, head of Gencor's gold division, said the group had other unspecified mining projects on the drawing board which could provide employment for as many as 30,000. He cautioned, however, that no new deep-level mines were likely to be established at present gold prices.

The mines reduced capital spending in response to stagnant gold prices and suffered higher tax bills.

Stilfontein has exhausted the richer Vaal reef, which provided most of the mine's gold since inception, and now depends on the poorer Ventersdorp Contact Reef.

GENCOR GOLD QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings per share (cents)	
	Sep 89	June 89	Sep 89	June 89	Sep 89	June 89
Beatrix	3,264	3,301	14.2	43.5	11.7	33.5
Bracken	537	555	3.6	1.5	20.8	8.5
Buffels	3,651	3,664	21.9	20.8	171.0	157.6
Grootvlei	738	760	0.7	0.6	5.9	5.1
Kinross	3,050	3,001	23.2	20.9	73.3	76.0
Leslie	701	735	5.1	3.9	24.9	16.0
St. Helena	2,655	2,650	8.7	8.9	61.3	84.9
Stilfontein	1,246	1,225	2.8	27.7	21.2	209.1
Unisel	1,609	1,605	12.9	12.3	30.6	26.8
W.Rand Cons	562	480	2.0	0.8	37.4	8.0
Winkelhaak	2,850	2,801	27.7	28.6	81.4	70.9

JCI GOLD QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings per share (cents)	
	Sep 89	June 89	Sep 89	June 89	Sep 89	June 89
Randfontein	6,801	6,653	33.8	43.9	35.3	164.3
W. Areas	3,267	2,981	(18.3)	(6.2)	58.2	(47.5)

Earnings per share calculated after tax and capital expenditure. Parentheses = negative

JCI hit by high operating costs

SHARPLY HIGHER operating costs during the September quarter overwhelmed gold price increases for the two operating gold mines managed by Johannesburg Consolidated Investments, writes Jim Jones.

Randfontein, the larger of the two, has increased underground ore production and reduced the amount of low-grade surface dump material processed. This has resulted in a rise in average working costs per tonne of 12.2 per cent to R87.39 ($33.57).

Western Areas also reduced the rate of processing surface material, and overall gold production increased.

INTERNATIONAL APPOINTMENTS

Bristol-Myers Squibb post-merger changes

BRISTOL-MYERS Squibb, the world's second largest drugs group formed from the recent US merger of Bristol-Myers and Squibb Corporation, announced that Mr Jan Leschly has resigned as Squibb president to pursue opportunities outside the group.

The company also reported some organisational changes, including Mr William Comer's assumption of the new position of president of Bristol-Myers Pharmaceutical Research and Licensing Group.

Mr Comer will report to Mr Richard Furlaud, Bristol-Myers Squibb president, as will Mr Edgar Haber, president of Squibb Institute for Medical Research.

Mr Abramo Virgillo, who has been serving as president of Bristol-Myers Science/Technology Group, will head the newly formed Bristol-Myers Squibb Technical Operations.

★ ★ ★

NORTHERN TELECOM, of Canada, the world's largest supplier of digital telecommunications systems and which is 52 per cent owned by Canada's BCE, appointed former US Secretary of Defence Mr Frank C. Carlucci III to its board of directors.

He is filling a vacancy created by the death in May of Mr William Sobey, who was honorary chairman of Sobeys Stores. Mr Carlucci is currently vice chairman of Carlyle Group, a merchant banking concern.

★ ★ ★

ENSKILDA Securities, part of Skandinaviska Enskilda Banken, Sweden's largest commercial bank, has recruited three executives from Morgan Guaranty Trust, a leading New York-based bank.

They are Mr Robert Mason, Mr Bill Robinson and Mr Adam Sack, who will be joining Enskilda on November 6 and be responsible for developing buy-out activities in Europe.

The three have been responsible for Morgan Guaranty's specialist financing operation in London. This has been involved in a significant number of notable leveraged buy-out financing transactions.

Mr Mason, senior member of the team, was a Morgan Guaranty vice president and set up its leveraged transactions unit for the UK and Europe.

★ ★ ★

INTERGRAPH, a leading US-based computer-aided design system manufacturer, said that Mr Jim Meadlock, the chairman, has relinquished his other role of president but assumed a new position of chief executive officer.

Mr Eliott James was named president, and he will share responsibility for managing the company with Mr Meadlock.

Mr James was most recently president and chief executive of Quintus Computer Systems, of California, a leading supplier of Prolog-based software development tools recently acquired by Intergraph.

★ ★ ★

DEERE, of the US, world's largest maker of farm equipment, elected Hans Becherer, formerly both president and chief operating officer, to the post of chief executive.

Mr Becherer, 54, retains the title of president, while Mr Robert Hanson, 64, who has been chairman and chief executive since October 1982, will continue to serve as chairman.

INTERNATIONAL CAPITAL MARKETS

Egyptian investment funds lose trading applications

By Tony Walker in Cairo

EGYPT'S Money Market Authority has blocked applications from three of the largest Islamic investment funds to continue operating, under a new law designed to control the unruly deposit-taking sector.

The controversial decision appears to signal the end of the road for the companies, whose depositors ran into the tens of thousands.

"This is the moment of reckoning," a foreign banker said. "These companies most probably had too many irregularities, and too little money to meet their obligations."

The rejected applicants were Al Hoda Misr, Al Hegaz, and IC Centre.

The authority, the Government's chief financial regulatory body, rejected an application earlier this month from Badr Investments.

Only two of the larger institutions – Al Saad and Al Sherif – have been allowed to continue operating. Principals of Al Rayan, the largest investment house, have been jailed under Egypt's emergency law pending an investigation of their activities.

The authorities cracked down early last year when a number of the institutions struggled to meet obligations. They were asked to freeze their activities while government-commissioned auditors conducted a thorough probe.

Under the new law, companies going into liquidation have been given one year in which to repay their depositors. Institutions permitted to continue trading have been given three to four years to settle outstanding accounts.

An official at one of the rejected investment houses said yesterday that his company had not been officially informed of the decision. "I read about it in the papers," he said. The authority was unavailable for comment.

The authorities have unravelled the affairs of the deposit takers with considerable caution, prompted by fears of riots among disappointed depositors.

Hundreds of thousands of Egyptians have lost part or all of their savings, but time appears to have softened the blow. "People have resigned themselves to their losses," a foreign banker said. "If I were a depositor I would probably have written the money off a long time ago."

TSE 'close' to decision on UK firms

By Michiyo Nakamoto in Tokyo

THE TWO-YEAR campaign by Barclays de Zoete Wedd (BZW) and James Capel, UK securities firms, to obtain membership on the Tokyo Stock Exchange *could be settled by the end of the year.*

Mr Minoru Nagaoka, TSE president, reaffirmed yesterday *that a special committee* reviewing the issue would discuss details of the memberships to be offered when it next *met, in early November.* He hoped the issue would be settled before the end of the year.

The TSE, which has faced criticism from the UK Government for failing to offer membership to the two UK firms two years ago, came under renewed pressure when Mrs Margaret Thatcher, the British Prime Minister, raised the issue several times during her *Japanese visit last month.*

At its last meeting the TSE committee adopted a proposal to offer one of three possible special memberships. However, none of them was likely to meet the approval of the *foreign firms concerned as they* would have considerably restricted their trading activity on the exchange.

It is unclear whether the present move to discuss "the specific contents" of new memberships at the next committee *meeting mean that full or* restricted status or both are to be offered.

Mr Mitsuo Sato, senior managing director of the TSE, said the issue of membership status was "pending." The committee would discuss qualification standards and fees while trying to determine which companies qualified and their standing.

The TSE has said the lack of *space at the exchange* was the main difficulty it faced in offering new memberships and that the exchange *could not* accommodate foreign brokers at the expense of smaller Japanese firms still seeking seats.

But *Mrs Thatcher's visit has* clearly raised hopes of a resolution.

● The Bank of Japan is ready *to launch long-awaited* Treasury bill open market operations in November, Reuter reports from Tokyo.

A central bank official said the purchase operations would be conducted at rates offered by designated bond dealers. He declined to say when in November the purchases would start.

The BoJ will designate a limited number of bond dealers for each operation and will buy at rates indicated by these dealers. This is similar to the method the bank *now* uses to buy bonds on the open market.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 18

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9½ 95	600	103½	104	-0⅛	+0¼	8.55
Austria 9⅝ 93	140	102⅝	103⅛	0	+0½	8.59
B.F.C.E. 8¾ 94	175	99¼	99⅝	-0¼	+0¼	8.53
B.F.C.E. 9¼ 95	150	102½	103	-0¼	+0¼	8.64
Brit. Tel. Fin. 9⅞ 98	250	103⅞	104⅜	-0¼	+0¼	8.69
Canada 9 96	1000	103⅛	103⅝	-0½	+0⅜	8.28
Canadian Pac 10¼ 93	100	*102½	102⅞	0	0	9.86
C.C.C.E 9¼ 95	300	102½	103	-0¼	+0¼	8.57
C.N.C.A 9¼ 93	150	102	102½	0	+0⅝	5.76
Credit National 8¾ 93	200	99	99½	-0¼	+0¼	8.48
Credit National 7⅞ 92	100	97⅛	97⅝	-0¼	+0¼	8.54
Credit National 9½ 92	160	†102	102½	0	+0½	8.64
Dai-Ichi Kan 9⅞ 92	150	102¼	102⅝	-0¼	+0¼	8.66
Denmark 8¼ 94	150	97⅞	98⅜	-0¼	-0¼	8.73
E.E.C. 7 93	100	97⅛	97⅝	-0¼	+0⅛	8.38
E.E.C. 10 93	140	104⅛	104½	-0¼	+0½	8.49
Eurofima 10⅛ 93	100	†104⅝	104⅞	-0¼	+0¼	8.52
Elec.De France 9 98	200	102¼	102⅝	-0¼	+0¼	8.58
Elec. De France 9½ 99	200	105	105¼	0	+0¼	8.66
Finland 9 96	250	101⅛	101⅝	-0⅛	-0⅛	8.70
Finn.Exp.Cd. 8½ 92	200	100	100⅜	0	+0¼	8.40
Finn. Exp. Cd. 9⅞ 95	200	102⅞	103⅛	-0⅛	+0⅞	8.71
Ford Motor Credit 8 91	250	†99	99½	0	+0⅛	8.52
Gen.Elec.Cap.Corp. 9 93	500	†101⅛	101⅝	0	+0½	8.50
Gen.Elec.Cap.Crp.10 1/2 91	300	102¼	102⅝	-0¼	+0⅛	8.57
G.M.A.C. 9 96	300	100⅝	101	-0¼	+0¼	8.86
Gen.Mtrs.Corp. 9¼ 92	200	101	101⅛	-0¼	+0⅛	8.62
IBM Credit Corp. 8⅞ 91	250	100⅝	101⅛	-0¼	+0¼	8.38
IBM Credit Corp. 9 92	250	101⅛	102⅛	-0¼	+0¼	8.13
IBM Credit Corp. 9⅛ 92	250	101⅞	102⅜	-0¼	+0¼	8.42
IBM Credit Corp. 10 92	200	104	104⅛	-0¼	+0¼	8.11
Italy 9½ 95	1000	104	104½	-0¼	+0⅜	8.57
Italy 9⅝ 99	1000	†106½	107	0	+1¼	8.53
Itoh C. W/W 4⅝ 94	1000	†99⅞	100¼	-0¼	+0¼	4.56
Japan Dev. Bank 10 96	200	107⅛	107½	-0¼	+0¼	8.50
KfW Intl. Fin. 9 94	300	101⅛	101¼	-0⅛	0	8.61
L.T.C.B of Japan 9¼ 92	200	101⅛	101⅝	-0¼	+0¼	8.71
Metropolis Tokyo 9⅝ 93	200	102½	103	-0¼	+0¼	8.46
Nippon Tel.&Tel. 9⅞ 98	250	103⅞	104½	-0¼	0	8.67
Norway 8⅞ 93	500	100⅝	101⅛	-0¼	0	8.41
Portugal 8¼ 91	300	†98½	99	0	+0¼	9.15
Sumitomo Bank 9⅝ 92	150	†102½	103	0	+0½	8.52
Sumitomo Corp. W/W 4 93	1500	†106	107	0	+1	2.15
Sweden 8⅞ 96	200	101⅞	102⅜	-0⅛	+0⅜	8.45
Sweden 8½ 92	200	†99½	100	0	+1⅛	8.58
Toyota 9½ 91	200	101⅞	102¼	-0⅛	+0¼	8.42
Toyota Mtr.Corp. W/W 4 93	1500	104	105	+0¼	-1⅛	2.68
Victorian Rep 11⅛ 92	150	105⅝	106⅛	0	+0¼	8.82
World Bank 8⅞ 99	1500	100⅝	100⅝	-0¼	+0½	8.45
World Bank 9 97	300	102¼	102½	-0¼	+0¼	8.58
World Bank 9 93	300	101⅞	102⅜	-0⅛	+0⅜	8.33
World Bank 9⅞ 98	300	103⅞	104⅛	-0⅛	+0⅛	8.59
World Bank 9⅝ 99	500	106⅛	106⅝	-0¼	+0¼	8.61
World Bank 9⅞ 96	300	105⅜	105⅞	0	+0⅝	8.55

Average price change... On day -0⅛ on week +0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	93⅞	94¼	0	-0¼	7.43
Austria 6¼ 99	750	†96¼	96¾	0	-0⅛	7.30
Bk.Frgn.Econ.USSR 7 96	750	*†94⅞	94⅞	0	-0¼	8.06
Bank of Tokyo 5¼ 93	100	94¾	95½	0	+0⅜	7.42
Commerzbank o/s. 5⅜ 93	300	93⅛	93⅝	-0¼	-0⅝	7.71
Credit Foncier 6⅝ 99	500	96¼	96⅞	0	0	8.25
E.I.B. 6¼ 99	600	93	93¼	0	-0⅜	7.29
E.I.B. 6½ 99	300	†94¼	94¾	0	-1	7.32
E.I.B. 6⅝ 96	600	96⅜	96⅞	+0⅛	-0½	7.28
E.I.B. 6¾ 95	300	97⅞	98¼	0	-0¼	7.26
Euro.Coal& Steel 5⅞ 97	175	91⅛	91⅝	-0⅛	-0½	7.39
Eurofima 6¼ 96	100	93⅛	93⅝	-0⅛	-0½	7.54
Elec De France 5¼ 97	300	90½	91	0	-0¼	7.36
Hydro-Quebec 6¼ 99	300	†96	96½	0	-0⅜	7.30
Japan Dev. Bk. 5⅜ 95	300	†90⅞	91⅜	+0¼	+0⅛	7.38
Japan Finance 5¾ 97	100	89⅞	90¼	0	-0¼	7.57
I.A.D.B. 7¼ 99	300	99¼	99⅝	0	-0¼	7.33
Ireland 6½ 97	300	94⅛	94⅝	0	+0⅜	7.49
Ireland 7¼ 99	500	98⅜	98⅞	-0¼	-0¼	7.45
Malaysia 6¼ 94	150	95¾	96¼	0	0	7.27
Nat. West BK. PLC 6 98	300	†90¼	90¾	0	-0¼	7.54
N.H.L. Finance 6¼ 95	200	†91¾	92¼	0	0	7.96
Nippon Telg.&Tel. 6 95	400	†93½	94	-0⅛	-0½	6.52
Oesters. Kontbk. 5 93	300	92½	93	-0⅛	-0⅜	7.56
Portugal 5¼ 92	150	96	96½	0	+0½	7.27
Portugal 6⅝ 95	150	96¾	97¼	0	-0½	7.27
Privatbanken 5¼ 93	150	92¾	93¼	0	-0¼	7.67
Royal Insurance 5½ 92	300	95⅛	95⅝	+0⅛	-0⅜	7.59
Turkey 6½ 95	500	†92	92½	0	-1⅜	8.28
Union Bk.Finland 5½ 94	200	†91⅛	92⅛	0	-1¼	7.77
World Bank 6 98	500	†91⅛	92	0	0	7.26
World BK. 6¼ 97	600	93⅞	94⅛	0	0	7.84
World Bank 6⅜ 99	600	96⅛	96½	0	-0¼	7.27

Average price change... On day 0 on week -0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†90	90¼	-0⅛	-1⅜	6.86
Asfinag 5 03	100	†89	89¼	-0⅜	+0⅜	6.19
B.F.C.E. 4½ 98	200	†88½	89	-0⅜	-0½	6.20
B.M.W.Fin.Neth. 5 13	150	†86	86¼	0	-0⅜	6.13
Britannia B/S. 4¼ 94	100	†89½	90	0	+0⅛	6.89
CIR. Int. W/W 3 93	125	†87	87¼	+1	-1⅜	7.01
Credit Lyonnais 4¼ 00	100	†86	88	0	0	6.48
E.I.B 4⅝ 98	150	†88½	89	-0⅜	+0¼	6.35
Finn. Exp. Cd. 8¼ 92	75	†100½	100⅞	+0⅛	0	8.00
Fletcher Chall. 4⅞ 98	150	†81¼	82	+1¼	0	7.88
I.A.D.B. 6 2004	200	†96	96¼	-0⅛	0	6.19
Kobe City 4⅝ 98	150	†87¾	88¼	-0⅜	-0⅞	6.46
Leeds Perm. B/S. 4⅛ 93	200	†91	91½	-0¼	+1¼	7.03
Malaysia 5¼ 98	100	†84⅞	85	-0⅛	+3½	7.69
Maxwell Comm.Crp. 5 95	150	†81	82	-1⅞	-4	9.34
Nat. Bk. Hungary 5½ 94	75	†87	89½	-1⅝	-1¾	8.38
Nationwide Ang.B/S. 4 93	200	†91¼	91½	-0⅜	+0⅞	6.73
Prov. Newfoundland 5 03	150	†84	85	-0¼	-2	6.73
Thailand 4⅝ 95	200	†84½	85	+0½	+1½	8.04
World Bank 5 03	150	†86½	87	+0¼	-0½	6.48

Average price change... On day -0⅛ on week -0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6¼ 91	80	100⅜	100⅝	0	+0⅛	5.70
Canada 5⅝ 93	80	99⅞	100¼	-0⅛	0	5.62
Eurofima 5 1995	20	96⅝	97⅛	0	-0¼	5.67
E.I.B. 4⅞ 93	30	97½	97⅞	-0⅛	+0⅛	5.66
Ireland 5⅛ 93	30	97⅞	98⅜	0	-0⅛	5.72
Norway 5⅛ 95	50	98⅛	98⅝	+0⅛	+0¼	5.50
Sweden 4⅞ 93	50	96⅝	96⅞	0	0	5.65
World Bank 5⅛ 98	10	96½	97⅛	-0⅛	-0⅜	5.61
World Bank 7 94	20	105	105½	0	-0⅛	5.64

Average price change... On day 0 on week +0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	97½	98	0	0	10.85
Abbey Nat. 11⅝ 95 £	100	96½	97⅛	+0½	+1½	12.43
Aegon 7⅛ 92 FL	100	99⅝	100⅛	0	0	7.91
Alg. Bk. Ned. 5¾ 93 FL	200	93¼	93⅞	0	0	7.98
Austria 7½ 94 ECU	100	94⅞	95⅜	-0½	-0⅜	8.85
Bk.Nova Scot.14⅛ 90 A$	75	†95⅞	96¼	0	-0⅞	18.63
Barclays Aus.13½ 91 A$	100	95⅜	95⅞	-0⅛	+0⅛	16.32
Belgium 8⅛ 94 Ecu	150	97¼	97¾	0	-0¼	8.82
BP Capital 9¾ 93 £	100	91⅞	92¼	0	+0⅜	12.68
British Airways 10 98 £	100	89⅛	89⅝	0	+0½	12.06
Brit. Telecom 9½ 93 £	150	91⅞	92⅜	+0⅛	+0⅜	12.43
Comm.Bk.Aust. 12⅝ 93A$	100	†91⅞	92⅜	-1⅛	-0⅛	15.56
Comm.Bk.Aus.13¾ 94 NZ$	60	103⅜	104⅜	-0⅛	-0¼	12.57
Credit Foncier 9 96 Ecu	100	100⅛	100⅝	-0⅛	-0⅜	8.91
CrLocalFrance 9¼ 92Ecu	100	100⅝	101¼	+0⅛	-0⅛	8.83
Dent. Bk.Aus. 13¾ 93 A$	125	94⅞	95⅜	+0⅜	-0⅜	15.01
Deutsche Bk.Fin. 15 94 A$	100	100½	101	0	0	14.68
E.I.B. 7 96 LFr	100	95⅝	96⅛	-0⅜	-0⅞	7.79
E.I.B. 7⅛ 99 FL	150	96⅛	96⅝	0	-0⅜	7.66
E.I.B. 9 99 Ecu	150	100⅜	100⅞	0	0	8.88
Eurofima 7⅞ 94 Ecu	100	95¼	95¾	-0⅛	-0¼	8.92
Export Dv.Crp.8¾ 92Ecu	100	99⅜	99⅞	+0⅛	-0⅜	8.88
Fed.Bus.Dv.Bk. 9 94 Ecu	100	99⅜	99⅞	0	-0⅞	9.11
Fed.Bus.Dv.Bk.9⅞ 92 C$	75	†97⅞	98⅜	0	+0⅛	10.55
Fed.Bus.Dv.Bk.10½ 93C$	50	†99⅜	99⅞	0	0	10.59
Ferrv. Stato 7⅞ 93 Ecu	100	95⅝	96⅛	0	-0¼	9.11
Ford Cr.Can.10¼ 93 C$	100	†99¼	100⅛	0	+0¼	10.70
Ford Cred.Can.10⅞ 96C$	125	100⅛	101⅜	-0¼	0	10.59
Ford Cred.Fund.10⅜ 93£	60	94	94½	0	+0¼	12.63
G.M.A.C.Canada 11 3/4 94C$	100	102⅛	103⅛	0	0	10.83
Heineken 7⅛ 94 FL	150	100⅜	101	0	-0¼	7.72
Hydro-Quebec 11 99 C$	400	102¼	103	0	0	10.48
Lloyds Bank 10¼ 98 £	150	90⅛	90⅝	0	+0⅜	12.11
Lloyds Bank 11⅛ 98 £	100	94½	95	0	+0⅜	12.35
Montreal Tst.10¼ 93 C$	100	†99⅛	99⅝	0	+0⅛	10.93
Nat. Aus. Bk. 14⅛ 94A$	100	97⅞	98⅛	0	-0⅛	15.34
New Zealand 9½ 93 £	100	91	91½	+0⅛	+0⅜	12.67
O.E.K.B. 10¼ 99 C$	150	99⅛	99½	-0⅛	0	10.36
Privatbanken 7½ 94 LFr	500	†97¼	98¼	0	-0¼	8.11
Royal Bk.Scot.10⅝ 98 £	125	†92⅞	93⅛	+0¼	+1	12.04
Saskatchewan 9⅞ 91 C$	150	†98⅛	98⅜	0	0	10.80
Saskatchewan 10¼ 93 C$	200	99	99⅞	-0⅛	+0⅛	10.51
State Bk.NSW. 13⅞ 93A$	100	94⅝	95⅛	0	-0⅛	15.61
Sweden 7½ 93 Ecu	250	95½	96	+0⅛	0	8.78
Sweden 15 94 A$	100	100⅛	101⅛	0	-0¼	14.60
Toyota Mtr.Cr.11⅜ 92C$	150	101⅛	101⅝	0	0	10.62
World Bank 7⅛ 99 FL	300	96⅛	96⅝	0	-0⅜	7.66
World Bank 13⅞ 92 A$	100	97⅜	97⅞	+0⅛	+0¼	14.46
World Bank 14¼ 94 A$	75	98¾	99¼	+0⅛	0	14.51
Zentrspk. 13¼ 93 A$	75	†94⅞	95⅜	0	0	14.96

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.96	100.01	24/10	14.08
Bank of Greece 99 US	0¼	99.69	99.79	8/03	9¼
Belgium 91 US	0	100.20	100.30	21/02	8.81
Chelt.& Gloucester 94 £	.063	99.79	99.83	30/11	14.06
Credit Foncier 98 US	.063	99.95	100.35	20/10	10.16
Dresdner Finance 99 DM	.031	99.84	99.94	30/10	6.97
EEC 3 92 DM	0	100.00	100.10	22/02	6¼
Halifax BS 94 £	.1	100.10	100.15	9/11	13.97
Invt. In Industry 94 £	0¼	99.94	100.04	24/11	14.06
Leeds Perm. B/S. 94 £	0⅛	100.19	100.24	15/01	15.37
Milk Mkt. Brd. 5 93 £	0⅛	99.91	99.96	29/12	14.94
New Zealand 5 97 £	.07	99.93	100.03	18/11	13.19
Northern Rock 92 £	0½	99.86	99.91	20/01	5¼
State Bk. Nsw. 98 US	.188	100.25	100.35	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	100.20	100.25	15/01	15.37
Woolwich 5 95 £	0⅛	99.93	99.98	21/11	14.06

Average price change... On day +0.01 on week 0.00

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	†8/87	62.	121	122	0	6.28
Amer. Brands 7⅛ 02 US	†9/87	56.7	121¼	122¼	-0⅛	-2.03
CBS. Inc. 5 02 US	†4/87	200.	101	102	-0⅞	3.57
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	99¼	100⅛	+0⅛	2.81
Primerica 5½ 02 US	†4/87	66.75	72½	73½	-0¼	72.49
Eng.China Clay 6½ 03 £	9/88	4.8	87⅞	88⅝	+0⅛	8.74
Fujitsu 3 99 US	5/84	1106.	217⅛	218	+0⅝	-2.78
Ladbroke Grp. 5¼ 04 £	†6/89	7.1	97⅞	98¼	-0⅞	135.67
Land Secs. 6¾ 02 £	6/87	6.72	86¼	87¼	+2¼	18.01
Minolta Camera 2¼ 94DM	2/86	1084.	106⅛	107½	0	7.92
MCA INC 5⅛ 02 US	†9/87	69.62	100	101	-0⅛	13.78
Mitsubishi Bk. 3½ 04US	5/89	3266.	91⅛	92⅛	+0⅛	1.78
Next Plc 5⅛ 03 £	11/87	4.3	97⅛	98⅛	+0¼	356.87
Nishi Nipp.Bk.2½ 03 US	4/88	804.	127	128	+0¼	0.50
Qualcom Inc. 6 1/2% 04 US	10/89	28.	102⅛	103⅛	+0⅛	17.86
Omron Tateisi 2¾ 02 US	†4/87	1310.	306	306½	+1	0.90
Ranks Hovis 4⅛ 03 £	†1/88	3.5	116	117	0	-0.79
Redland 7¼ 02 £	†1/87	5.4	94½	95½	+1½	9.15
Saatchi&Saatchi 6⅛ 03 £	†10/89	4.41	92	93	0	32.44
Silicon Graphics 8 04 US	†6/89	23.18	112	113	+2½	10.97
Sumitomo Bank 3⅛ 04 US	2/89	4296.	82½	83½	+0½	14.81
Texas Inst. 2¾ 02 US	†9/87	82.87	76⅛	77½	+0¼	82.32
Utd.Newspapers 8 04 £	10/89	8.77	104	105	0	114.01
W.R. Grace 6¼ 02 US	9/87	42.12	93⅞	94⅝	-1⅛	23.91

END OF TRANSMISSION FILE.........-TEAR-OFF HERE

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte – Date next coupon becomes effective. Spread – Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn – The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

SINS2; Line BONDSIN Truncation occurred. Story '#61686'.

Orix Corp establishes specialist finance unit

By Andrew Freeman

ORIX Corporation, the largest Japanese leasing company, formerly known as Orient Leasing, has set up a specialist corporate finance company via Orix Europe, a subsidiary of its European holding company.

Orix Corporate Finance (OCF), the new London-based company, will provide specialist financial services for European clients.

Using links with Orix's extensive financial services division, it aims to connect borrowers – mainly financial institutions and corporations – with the large pools of capital available for investment outside Japan.

Mr Allan Wilson and Mr Antony Wood, former Morgan Stanley managers, will manage OCF, with Orix Europe retaining a controlling interest. Both managers have an equity stake, as will future employees.

The venture is backed by an initial capital investment of £1m ($1.56m), with access to a subordinated loan facility of £4m.

OCF hopes to create structured deals for clients in what it believes will be a unique arrangement.

Mr Wilson said: "We will be the only leasing company doing both the arranging and the distribution of debt and equity deals, mainly on a private placement basis."

He added OCF would initially concentrate on the UK and the Benelux countries as the principal areas of Japanese investment interest.

OCF will try to by-pass the intermediaries which currently dominate the origination side of the Japanese private placement business in which leasing companies are already leading providers of subordinated capital.

Because they are not banks, the leasing companies are not subject to BIS capital requirements and can adopt a more flexible approach to risk. However, through their leasing businesses they have built extensive investor networks willing to lend capital.

Leasing now represents only about 30 per cent of Orix's turnover.

Japan may ease Samurai bond terms

JAPAN'S Ministry of Finance will probably bow to foreign pressure and again loosen requirements on Samurai bond issues, Reuter reports from Tokyo.

Foreign organisations are attracted to Samurai bonds – which are yen-denominated and issued in Japan by foreign companies or agencies with a minimum term of four years – because of their high profile among Japanese investors and the diversity they add to fund-raising arsenals. They now want to issue shorter-term bonds.

"Samurai will eventually become little different from the Euroyen market," a manager at a securities house said.

The recent issue of the first ever three-year Samurai by the European Community paved the way for liberalisation, another manager said.

A Finance Ministry official stressed the EC Samurai was an exception due to specific EC money needs, but underwriters believe the practice will soon spread to other issues.

Many managers felt the ministry would now find it hard to reject short-term bond issues requested by other international organisations.

About 27 issues of Samurai and Daimyo (yen bonds issued in Japan by foreigners that can be settled through international clearing systems) worth Y874.5bn had been made by mid-October, against 22 issues worth Y635bn for all of calendar 1988.

Rising volume and a freer market are gradually causing triple-A and double-A rated European debtors to renew contacts with Japanese investors after being absent for several years.

In the past, most Samurai issues were made by developing countries interested in long-term debt. But high-rated issuers want shorter-term Samurai, partly because they need swap funds. Longer-term instruments are relatively hard to swap into other currencies.

In July the ministry scrapped ceilings on the amounts and maturities of Samurai. It used to link them to credit ratings.

But restrictions on minimum maturity have been left intact due to strong objections from Japanese banks.

Their prime concern is that deregulation might be extended to domestic debtors, which could raise capital through bonds rather than bank borrowing.

INTERNATIONAL CAPITAL MARKETS

Hectic activity fails to conceal underlying volatility

By Andrew Freeman

HECTIC new-issue activity on Eurobond markets yesterday failed to disguise the volatility of investor sentiment as world financial markets continued to exhibit nervousness. Most of the day's deals were aimed at specific demand and gave little indication of the Euromarket's overall direction.

INTERNATIONAL BONDS

Evidence of underlying tension was provided by the poor performance of a $100m four-year bullet-maturity deal brought by Yamaichi for Mitsubishi Corporation Finance. The bonds offered a spread of 68 basis points over Treasuries at launch, but came under pressure as traders complained the terms were too tight. They said the deal did not sufficiently acknowledge the widening of corporate bond spreads since the stock market roller-coaster began last week.

After initially supporting the deal, Yamaichi let it fall to less 2 bid, well outside full fees of 1⅝ per cent. At that level the spread was about 10 basis points wider and the deal steadied. The borrower is a well-rated corporation and rival syndicate officials said the deal had been badly handled.

Yamaichi also brought an equity warrants deal for Keihin Electric Railway, this time to a fine reception. The bonds traded at 105¾ bid, a large premium to their par issue price.

Credit Suisse First Boston was the lead manager of a $200m floating-rate note issue for the Indian Oil Corporation. The notes carry the guarantee of the Indian Government and offer a coupon of ⅛ point over six-month Libor.

The deal was launched as a fixed-price reoffering, with the syndicate asked to reoffer the notes at 99¾, ¼ point inside the par issue price. Full fees for syndicate members were 36 basis points, implying an 11 basis point profit on sales made at the reoffer level. The syndicate was not formally broken yesterday.

Traders said there was demand for the paper and reported sales in the Far East. "Indian risk is an acquired taste, but the notes are selling," said one dealer.

Bankers Trust International brought a $150m five-year deal for Safim, a wholly-owned finance subsidiary of Efim, the Italian state-owned industrial group. The bonds offered a coupon of 9 per cent and were priced at 101.60 to yield around 101 basis points over Treasuries. Bankers Trust was quoting the paper at less 1.80 bid, inside fees. However, there were bids away from the lead manager at less 1⅞, a discount equivalent to full underwriting fees.

Dealers expressed mixed opinions on the issue. Some said they understood the borrower's credit profile and found it easy to place paper while others argued the deal was not attractive enough on an asset-swapped basis. It is understood that some of the issue was asset-swapped to yield around ⅝ point over Libor.

Bankers Trust said there was complicated engineering behind the issue, with a multi-legged swap producing funds in both fixed and floating-rate Lire as well as other currencies.

Merrill Lynch was the sole manager of the first undated sterling-denominated variable-rate note issue, a £200m deal for National Westminster Bank. The notes, which qualify as upper tier 2 capital under capital adequacy rules, offered an initial margin of ⅜ point over Libor.

The issue follows an open offer to buy-in the borrower's perpetual floating-rate notes issued in 1984. Merrill said the variable-rate notes were placed with institutions and would not trade actively. No prices were available, and fees were not disclosed.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Indian Oil Corp.†◆	200	(a)	100	1994	36bp	CSFB
SAFIM◆	150	9	101.60	1994	1¼/⅝	Bankers Trust Int
Mitsubishi Corp.Finance◆	100	8⅝	101¼	1993	1⅝	Yamaichi Europe
Keihin Elec.Expr.Rail.‡	150	(4)	100	1993	1½/¾	Yamaichi Europe
Sammi Steel Co.◆‡(d)	50	1¼	100	1994	1½/¾	Merrill Lynch
SWISS FRANCS						
Seiren Co Ltd§	110	(¼)	100	1994		Bank LEU AG
Kimisawa Co.§★★(d)	40	¼	100	1995	1⅝	SBC
D-MARKS						
Fuji Kagakushi Kogyo‡◆(d)	75	1½	100	1994	2¼/1½	Deutsche Bank
STERLING						
Nat.West.Bank†	200	(e)	100			Merrill Lynch
YEN						
TRIPS Ltd Series(b)★★	5.6bn	5.6	101⅛	1991	1⅛	Toyo Trust Int
TRIPS Ltd Series(b)★★	5.6bn	(c)	101¼	1991	1⅛	Toyo Trust Int
Swedish Nat.Housing Fin.◆	11bn	5.6	101	1994	1/½	Nomura Secs
Jewel 6◆	10.1bn	5.6	101⅝	1993	1⅛/½	Daiwa Europe
GUILDER						
Aegon NV◆	250	7¾	101.25	1999	1⅜/⅝	AMRO BANK

◆Final terms. ‡With equity warrants. †Floating rate note. ★★Private placement. a)6-month Libor. b)Issue launched in two tranches. c)6-month Libor+20bps. d)Issue update. e)Libor + ⅜ initially.

Japanese brokers plan aggressive foreign bond sales

LEADING Japanese brokers plan to sell foreign bonds aggressively to institutional clients during the rest of the business year which ends in March, Reuter reports from Tokyo.

Returns on foreign bonds are relatively attractive and brokers expect active demand from investors who want to boost overall returns. Brokers also have confidence in the dollar's underlying strength.

Nomura Securities announced last month that it planned to increase foreign bond trading. Some dealers said Nomura aimed to earn Y20bn ($141m) a month in margin fees for the rest of the year from all bond trading, against Y20.7bn for the six months to March 31 1989. The lion's share of the improvement is expected to come from foreign bonds.

Nomura declined to comment on the figures.

A strategist at Nomura's bond trading division said: "We will be focusing on US Treasury bonds. But we will also devote energy to beefing up trading of bonds of European and other currencies."

The other Big Four Japanese brokers have also said they would boost foreign bond trading.

Mr Yoshikazu Kiyoto, manager at Nikko Securities' international bond department, said: "Given pessimism for yen bond prices due to overhanging concern about local inflation, investors may want to keep buying foreign bonds in coming months."

This would depend on the currencies in which the bonds were denominated staying firm.

"If Nomura does it, there's no reason why we won't do it," Mr Kiyoto added.

Confidence in the dollar is strong due to its resilience in the face of a 50 basis point rise in Japan's discount rate last Wednesday and the poor US trade figures last Tuesday.

A money market manager at a US money centre bank said: "Expected Fed easing could trim further the buoyancy of the dollar... but may not be impressive enough to cool down Japanese demand for the dollar.

"Instead, the easing will make US bonds attractive investment alternatives for the Japanese."

There is a spread of about 270 basis points between Japanese and US benchmark securities.

Mr Hideo Takemura, deputy general manager at Yamaichi Securities' foreign bond department, said one reason for the shift to foreign bonds was changing accounting standards by leading institutional investors.

In February banks were required to calculate income and capital gains in a single book. They previously boosted income from yields at the expense of capital gains because only the former was accepted as profit from primary operations.

Life insurance firms, the biggest institutional foreign bond investors in Japan, are still eager to raise coupon incomes as the Finance Ministry prohibits them from paying capital gains income to policy holders as annuities.

But industry sources said the ministry might change the rule and some insurers were already trying to boost capital gains.

"These trends lead to demand for more frequent trading and better tools to hedge positions," Mr Takemura said.

Hedge demand from investors will be met by listing T-bond futures on the Tokyo Stock Exchange on December 1 and through the growth of T-bond over-the-counter options trading.

Mr Shotaro Ishihara, manager at Yamatane Securities, stressed: "Burgeoning options trade here will be especially pivotal as a driving force for foreign bond trading."

Mr Takemura said another attraction was 24-hour trading, with centres in New York, Chicago and London.

But one bond investment manager said the medium-term outlook of the yen was up and T-bond prices could be undermined by a fresh supply in November.

This could mean that the only short-term chance for brokers to attract investors was third-quarter US gross national product data tomorrow, which could confirm the US economy was slowing down.

CME imposes $500,000 fine on Capcom Futures

By Katharine Campbell

THE CHICAGO Mercantile Exchange has exacted its largest ever fine, of $500,000, from Capcom Futures and the firm has agreed to leave the exchange.

It withdrew from the Chicago Board of Trade (CBOT) at the end of June.

The firm was charged with violating minimum customer margin requirements and with a variety of accounting and book keeping deficiencies.

A former affiliate, Capcom Financial Services, which had been a substantial player in both the London and American futures markets, was expelled during the course of the year by the Association of Futures Brokers and Dealers, the UK futures self-regulatory authority, and the CBOT.

The authorities' concern about Capcom Financial Services originated last year with the arrest of Mr Syed Ziauddin Ali Akbar, the managing director, on drug and money laundering charges.

US Treasuries recoup losses, then dip to close mixed

By Janet Bush in New York and Rachel Johnson in London

US TREASURY bonds moved higher yesterday morning, recouping the losses incurred on Tuesday but then dipped back to close mixed.

In late trading, short and medium-dated maturities stood up to ⅛ point higher while some long-dated maturities stood around ⅛ point lower. The benchmark long bond was quoted unchanged for a yield of 8.04 per cent.

GOVERNMENT BONDS

The bond market's inverse relationship with stocks appeared to have broken down on Tuesday when bonds fell modestly despite continued weakness in equities. That relationship was not clear yesterday with both bonds and stocks modestly higher for most of the session.

Bonds were helped early in the session by news of an unexpected 5.2 per cent fall in housing starts in September to levels normally associated with recessionary conditions.

The US Federal Reserve continued its policy of adding modest amounts of liquidity to the banking system yesterday, announcing $1.5bn in customer repurchase agreements. The central bank has done customer repurchases, an unaggressive way of providing liquidity, every day of this week so far.

The late weakness in the bond market on Tuesday and probably yesterday was partly due to the prospect of substantial new supply. The weekly auction of three and six month Treasury bills on Monday will total $15.6bn, larger than the $15.2bn expected.

Fed Funds ended at 8%. Talk has started to emerge that banks are preparing to cut their prime rates when it is clear that the Fed has lowered it Fed Funds target to 8¾ per cent. That is not clear yet.

■ AFTER THE upheavals of the past few days the German and UK government bond markets threatened to revert to their customary quiescence.

However, an earthquake in San Francisco gave the markets some edge, amid speculation that the shock of insurance companies would come down to unsettle the equity markets.

German government bonds were fixed up to 40 pfennigs higher than the day before, and sustained these levels after the volatile price swings of the week. A repurchase by the Bundesbank injected about DM1bn of net liquidity into the market after the expiry of bonds worth DM21.9bn.

The maturing of three bonds will provide about DM4.7bn more cash on Thursday.

The Federal January 1999 bond was well down on Tuesday's levels, closing to yield 7.06 per cent.

■ THE UK government bond market was on tenterhooks in advance of the important speech to be given today at the Mansion House by Mr Nigel Lawson, the UK Chancellor.

Traders were waiting for statements on the UK's membership of the European Monetary System and funding policy. The gilts market has been shrinking as a result of the budget surplus restricting net new issuance of gilt-edged stock.

In addition, figures due out today on average earnings and money supply were holding back trade yesterday, and the focus remained on the state of the equity market.

The 111¾ Treasury benchmark bond due 2003/07 came down ⅛ to trade at 111⅝ after Tuesday's close at 112⅛.

The long gilt future, the best indicator for longer dated stock, closed a fraction higher at 93, while traders said that shorter-dated maturities were the preferred buying choice.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	8/92	104-24	-6/32	11.53	11.83	11.15
	9.750	1/98	95-10	-8/32	10.61	10.76	10.34
	9.000	10/08	94-22	-10/32	9.61	9.74	9.41
US TREASURY *	8.000	8/99	99-27	-3/32	8.02	8.04	8.09
	8.125	8/19	100-26	-10/32	8.05	8.02	8.08
JAPAN No 111	4.600	6/98	95.7267	-0.399	5.36	5.46	5.38
No 2	5.700	3/07	104.2852	-0.478	5.23	5.20	5.18
GERMANY	6.750	6/99	98.1500	-0.150	7.01	7.05	6.93
FRANCE BTAN	8.000	7/94	99.6305	+0.236	9.16	9.29	8.94
OAT	8.125	5/99	95.5500	-0.320	8.81	8.84	8.58
CANADA *	9.500	10/99	99.6500	+1.150	9.55	9.59	9.54
NETHERLANDS	7.250	7/99	98.5400	-0.010	7.46	7.48	7.28
AUSTRALIA	12.000	7/99	91.4001	+0.076	13.61	13.69	13.32

London closing. *denotes New York close
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wednesday October 18 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Tue Oct 17 Index No.	Mon Oct 16 Index No.	Fri Oct 13 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	867.12	+1.9	12.73	4.86	9.61	27.02	850.97	853.32	896.14	828.78
2	Building Materials (29)	1007.15	+1.8	15.40	5.48	8.12	35.78	989.12	986.77	1031.93	1034.48
3	Contracting, Construction (37)	1368.02	+1.7	17.85	5.58	7.31	51.75	1345.77	1340.61	1425.76	1623.47
4	Electricals (10)	2543.74	+2.2	10.46	4.76	12.03	68.90	2489.34	2483.21	2572.80	2344.23
5	Electronics (30)	1923.48	+1.7	9.57	3.82	13.46	49.22	1891.74	1916.79	2011.03	1770.94
6	Mechanical Engineering (54)	469.42	+2.2	11.91	4.79	10.22	14.38	459.37	457.77	484.85	428.55
8	Metals and Metal Forming (6)	451.38	+2.6	22.78	6.63	4.84	15.15	439.86	442.20	461.32	495.98
9	Motors (18)	347.33	+1.5	11.33	4.87	10.33	9.97	342.03	340.66	359.33	286.58
10	Other Industrial Materials (24)	1624.60	+1.9	10.16	4.61	11.61	51.93	1594.26	1609.16	1680.40	1372.16
21	CONSUMER GROUP (184)	1230.65	+1.8	8.96	3.58	14.04	26.91	1208.93	1219.50	1268.44	1098.99
22	Brewers and Distillers (23)	1418.91	+1.6	9.22	3.47	13.58	28.11	1396.95	1405.09	1451.79	1155.04
25	Food Manufacturing (20)	1093.28	+1.7	9.36	3.91	13.49	25.28	1074.83	1085.54	1136.83	979.42
26	Food Retailing (14)	2288.13	+1.8	9.14	3.86	14.46	43.00	2247.76	2292.84	2363.49	1942.07
27	Health and Household (14)	2386.36	+1.9	6.55	2.01	18.19	39.12	2342.69	2381.62	2463.66	1946.55
29	Leisure (34)	1582.86	+1.7	8.32	3.64	14.82	37.26	1555.80	1553.17	1631.12	1412.86
31	Packaging & Paper (15)	530.10	+1.7	11.29	4.91	11.04	16.17	521.13	512.34	545.85	565.09
32	Publishing & Printing (18)	3442.76	+2.4	9.26	4.95	13.87	105.93	3362.87	3349.25	3495.30	3507.76
34	Stores (32)	753.35	+2.0	11.36	4.87	11.48	18.59	738.55	745.15	778.96	773.64
35	Textiles (14)	507.41	+1.1	11.27	5.80	10.76	15.74	502.13	506.13	522.87	524.74
40	OTHER GROUPS (93)	1106.29	+1.7	10.62	4.64	11.41	27.47	1087.44	1097.32	1144.77	914.70
41	Agencies (17)	1465.10	+2.5	7.20	2.46	17.13	25.00	1429.38	1440.99	1532.61	1085.41
42	Chemicals (22)	1200.79	+1.9	12.50	5.21	9.42	43.00	1178.59	1188.11	1213.25	1072.24
43	Conglomerates (13)	1569.06	+1.7	10.89	5.47	10.80	36.04	1542.89	1559.38	1598.02	1262.66
45	Transport (13)	2131.38	+1.3	10.52	4.40	12.15	56.50	2103.15	2083.60	2198.29	1962.19
47	Telephone Networks (2)	1099.48	+2.3	11.03	4.49	11.82	22.38	1074.41	1097.81	1137.40	981.81
48	Miscellaneous (26)	1791.00	+0.8	9.72	4.59	11.61	44.74	1776.45	1782.29	1911.16	1234.62
49	INDUSTRIAL GROUP (485)	1115.43	+1.8	10.39	4.21	11.88	28.00	1095.67	1103.72	1151.78	998.05
51	Oil & Gas (15)	2153.05	+1.5	10.86	5.27	13.13	87.50	2121.33	2136.27	2206.27	1764.25
59	500 SHARE INDEX (500)	1202.54	+1.8	10.34	4.36	12.04	32.85	1181.74	1190.37	1240.40	1056.02
61	FINANCIAL GROUP (121)	736.94	+1.2	–	5.66	–	28.17	728.16	732.36	760.81	704.95
62	Banks (9)	742.20	+0.3	23.25	6.73	5.65	35.17	739.81	749.04	763.46	691.60
65	Insurance (Life) (8)	1187.20	+0.1	–	5.34	–	47.56	1185.76	1187.05	1207.39	1006.39
66	Insurance (Composite) (7)	626.72	+1.6	–	6.03	–	28.34	617.05	626.95	642.50	541.72
67	Insurance (Brokers) (7)	1001.08	+8.8	7.53	6.28	17.67	45.26	926.61	967.34	1008.26	969.92
68	Merchant Banks (11)	391.55	+2.8	–	4.32	–	9.70	380.81	369.14	405.95	340.24
69	Property (49)	1143.43	+1.5	7.74	3.55	16.45	21.42	1126.55	1130.79	1196.45	1242.71
70	Other Financial (30)	320.90	+2.1	12.33	6.87	10.50	13.25	314.15	304.56	336.30	374.34
71	Investment Trusts (68)	1160.54	+1.1	–	2.98	–	20.26	1147.97	1143.90	1223.33	936.25
81	Mining Finance (1)	660.00	+2.4	11.31	4.08	9.94	22.25	645.41	655.67	676.20	574.46
91	Overseas Traders (8)	1266.62	+0.9	10.92	6.31	10.51	48.84	1255.90	1264.35	1339.27	1352.50
99	ALL-SHARE INDEX (698)	1089.30	+1.7	–	4.52	–	31.38	1071.59	1078.89	1124.57	968.26

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 17	Oct 16	Oct 13	Oct 12	Oct 11	Year ago
FT-SE 100 SHARE INDEX‡	2170.1	+34.6	2170.1	2134.2	2135.5	2163.4	2233.9	2237.8	2218.8	1862.5

FIXED INTEREST

	PRICE INDICES	Wed Oct 18	Day's change %	Tue Oct 17	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.51		116.50	–	10.00
2	5-15 years	130.01	–0.14	130.19	–	11.60
3	Over 15 years	140.35	–0.26	140.71	–	12.00
4	Irredeemables	163.04	–0.33	163.57	–	8.83
5	All stocks	128.25	–0.11	128.39	–	11.24
	Index-Linked					
6	Up to 5 years	137.42	–0.13	137.61	–	2.79
7	Over 5 years	136.43	–0.47	137.07	–	3.21
8	All stocks	136.39	–0.45	137.00	–	3.15
9	Debentures & Loans	108.63	+0.30	108.33	–	8.99
10	Preference	87.06	+0.03	87.03	–	5.05

	AVERAGE GROSS REDEMPTION YIELDS		Wed Oct 18	Tue Oct 17	Year ago (approx.)
	British Government				
1	Low	5 years	10.09	10.14	9.50
2	Coupons	15 years	9.54	9.54	9.16
3		25 years	9.46	9.43	8.86
4	Medium	5 years	11.01	10.98	9.92
5	Coupons	15 years	9.95	9.92	9.37
6		25 years	9.58	9.54	9.03
7	High	5 years	11.12	11.10	10.00
8	Coupons	15 years	10.18	10.14	9.53
9		25 years	9.74	9.70	9.12
10	Irredeemables†		9.52	9.49	8.83
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.94	3.89	2.92
12	Inflation rate 5%	Over 5 yrs.	3.68	3.65	3.70
13	Inflation rate 10%	5 yrs.	3.05	2.99	1.74
14	Inflation rate 10%	Over 5 yrs.	3.50	3.47	3.52
15	Debs &	5 years	13.56	13.73	11.80
16	Loans	15 years	12.23	12.21	11.00
17		25 years	11.72	11.75	10.69
18	Preference†		10.61	10.61	10.22

‡Opening index 2149.5; 10 am 2138.2; 11 am 2147.6; Noon 2153.4; 1 pm 2146.4; 2 pm 2145.2; 3 pm 2146.9; 3.30 pm 2151.0; 4 pm 2159.3 (a) 5.00pm (b) 9.46am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. FTA ALL SHARE INDEX: Share capital changes for the constituents can be found daily on Topic page no. 10243.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	9	79	15
Corporations, Dominion and Foreign Bonds	1	10	31
Industrials	880	174	543
Financial and Properties	328	78	268
Oils	35	17	42
Plantations	0	1	10
Mines	30	52	91
Others	60	102	91
Totals	1,343	513	1,091

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
120	F.P.	3/11	135	117	Birse Group 10p	123	–1	L4.25	2.3	4.6	9.5
‡100	F.P.	–	126	100	‡Boomore Intl.10p	123	+3	u5.2	1.9	5.6	11.9
§74	F.P.	–	82	63	‡Brandon Hire 10p	70	–1	a3.33	1.6	6.3	10.4
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+or -
[illegible]							

TRADITIONAL OPTIONS

- First Dealings Oct 9
- Last Dealings Oct 20
- Last Declarations Jan 11
- For settlement Jan 22

For rate indications see end of London Share Service

Calls in Amstrad, Aeda, Business Tech, Delta, Dixons, FKI, Ladbroke, Microfocus, Reckitt, SI Group, SmithKline, Whitbread. Puts Courtaulds, Dixons.

LONDON TRADED OPTIONS

TURNOVER IN the options market slumped yesterday, with investors remaining on the sidelines as the stock market continued to fluctuate within a wide range and as dealers awaited an important policy speech tonight by Mr Nigel Lawson, the UK Chancellor of the Exchequer.

The FT-SE option index accounted for over 40 per cent of total volume, while individual company options were thinly traded. However, at 12,903 options, the FT-SE contract turnover was a little more than a half of Tuesday's, reflecting the widespread uncertainty over the likely future trend of the stock market. The FT-SE turnover was again evenly divided between calls and puts, with 4,937 calls and 7,966 puts changing hands. The busiest series was the October 2,100 put, which traded 1,347 contracts.

Following the pattern established earlier in the week, attention was firmly fixed on the FT-SE December futures contract on the London International Financial Futures Exchange, as traders hoped to glean the stock market's next move. From late morning onwards, the futures contract was trading at a premium to the cash index, reflecting a belief that the stock market would be set to rally.

The futures markets' sentiment was confirmed when Wall Street shrugged off early losses and moved into positive territory, prompting London to rally. However, this spurred only light buying of FT-SE 100 call options. Dealers said that while market sentiment was neutral, institutional clients were bearish and were unwilling to commit themselves until a clearer trend emerged. "Once the stock market stops these random walks and then starts to fall, as many clients believe it will, then we could see some happy call premium sellers who are long of the underlying stock," one dealer said.

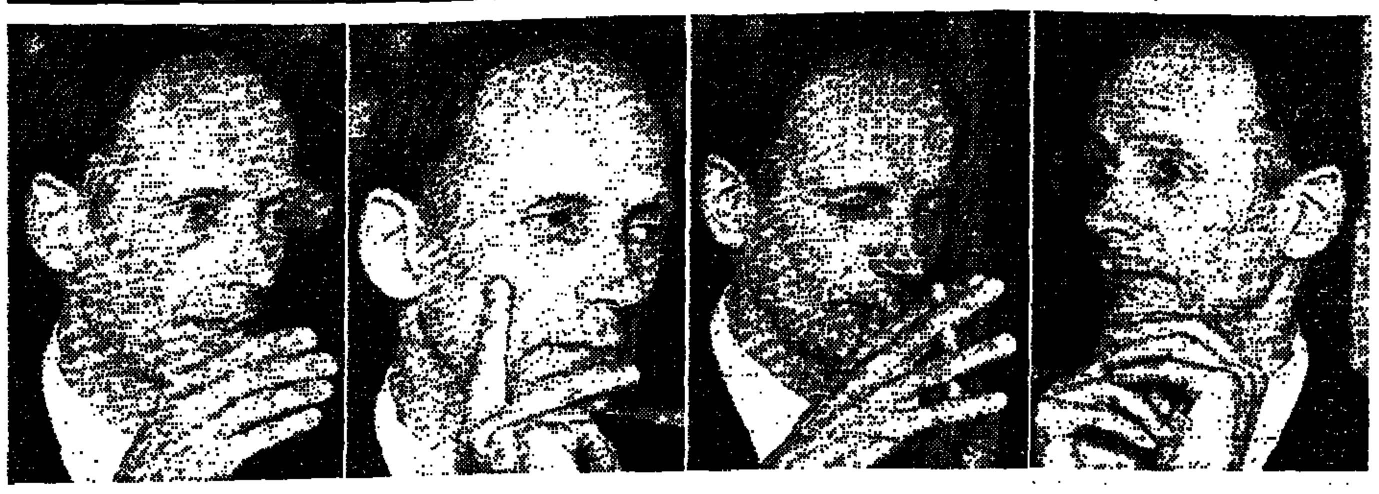
Traders said the market could remain quiet today awaiting the Mansion House speech, where the Chancellor traditionally sets out the Government's monetary policy.

Option		CALLS			PUTS		
[illegible]							

FT-SE INDEX (*2159)

October 18 Total Contracts 32,598. Calls 16,638 Puts 15,960. FT-SE Index Calls 4,937 Puts 7,966. *Underlying security price. † Long dated expiry months.

UK COMPANY NEWS



Remaining Koppers businesses make £21m after financing costs

Beazer advances 24% to £142.5m

By Andrew Taylor, Construction Correspondent

BEAZER, the UK building materials, housebuilding and contracting company which last year paid $1.74bn for Koppers, the Pittsburgh-based aggregates and chemicals group, yesterday announced a 24 per cent increase to £142.5m in annual pre-tax profits.

The British group financed the purchase of Koppers by sizeable borrowings. Since then it has sold Koppers' chemical business for $673m. Even so, group debt was yesterday reported as being £1.13bn, equivalent to 97 per cent of shareholders' funds of £1.17bn.

Even after financing costs, the remaining Koppers' businesses managed to contribute £21m to group profits in the year to end-June.

Mr Brian Beazer, chairman, said the group planned to reduce gearing during the next *12 months. Economic and market* conditions in the UK, however, were expected to make life more difficult – particularly for the housing market where high mortgage interest rates were affecting sales.

"The group's UK housing sales in the first 3½ months of the current financial year are down compared with the corresponding period last year but were comparable to levels in 1987 which was a good year," he said.

US building materials were substantially higher in the opening months, despite bad weather in the US which had curtailed construction work. There were also signs of softening of markets in New York state and Atlanta.

Mr Beazer said he was more optimistic about prospects in the US where interest rates, inflation and wage rises were lower than in the UK. He was confident the group would produce satisfactory results in 1989-90 year despite more difficult economic circumstance in the UK.

The acquisition of Koppers and of Gifford-Hill, the Dallas-based cement company purchased in 1986, has substantially altered the balance of Beazer's operations.

The US side accounted for £121.3m or 53 per cent of group operating profits of £228.3m. *The figures included strong* performances from Koppers, from housebuilding in Georgia, Carolina and Tennessee and from Gifford-Hill's building material businesses in California. The Texas building *materials market remained* weak.

US profits in the previous year – without the benefit of Koppers – were £38m, accounting for just over 30 per cent of operating profits of £124.7m.

UK profits rose from £85.4m to £106.1m. French Kier turned in a loss of £2.6m despite a sharp recovery in the second half. At the half-year stage it had reported losses of £11.4m.

Mr Beazer said the group had benefited from exceptional increases in UK house prices in 1988 which had increased margins to levels which were unlikely to be seen again for some years.

During the 12 months the group had sold 6,066 homes at an average price of of £72,000 compared with 6,276 homes at £59,000 the previous year.

Mr Beazer said he expected the group to sell fewer houses in the UK in the current financial year.

Taxable profits were struck after an exceptional credit of £11.4m relating to the sale of Beazer's holding in BM Group.

Group turnover rose 47 per cent from £1.34bn to £1.97bn. Fully diluted earnings per share increased by 20 per cent to 27.45p (22.88p).

The recommended final dividend of 5.05p makes a total of 7.5p (6.35p) for the year.

See Lex

BEAZER OPERATES 17 quarries in the Greater Bay area of San Francisco, devastated on Tuesday evening by an earthquake, writes Andrew Taylor.

Mr Brian Beazer, chairman of the UK group, announcing the company's latest annual results at noon in London yesterday, said he still had to speak to US managers but it was inconceivable that the quarries would not have sustained some damage.

This was unlikely to be major and the quarries were expected to be back in action very quickly.

"The sad thing is that all this destruction and loss of life will *produce increased* business for our quarries as bridges, roads and buildings are replaced and repaired. Judging by first reports a great deal of work will need to be done," said Mr Beazer.

Eagle Trust AGM set for December

EAGLE TRUST, the mini-conglomerate *which* is currently the subject of a Serious Fraud Office investigation, is to hold its delayed annual general meeting on December 13.

The meeting was originally scheduled for next month.

However, Mr David James, Eagle's new chairman, wants to discover the identity of ben*eficial owners behind* a significant stake in the company before explaining the company's position to shareholders.

It is thought the group's 1988 accounts will not be available until after the December meeting.

Separately, the administrators of Paramount Airways have called a meeting for creditors of the charter airline company which used to be controlled by Mr John Ferriday, Eagle's ex-chairman, and his partner Mr Richard Smith.

The meeting will be held in London on November 3.

The administrators hope to establish a creditors' committee and seek approval to dispose of the airline as a going concern or "otherwise realise the company's assets".

Losses rise sharply to £7.66m at Dan-Air

By John Ridding

DAVIES & Newman Holdings, *owner of Dan-Air*, the UK scheduled and charter airline, yesterday announced a sharp increase in first-half losses from £1.39m to £7.66m.

The shares, which stood at over 900p in February lost another 20p to close at 585p.

The company traditionally suffers first-half losses because *of the timing of the peak holi*day season but was hit harder this year because of the depressed tour market, an increase in aircraft lease rental payments and a near doubling in interest charges from £2.43m to £4.05m.

Hence while turnover increased from £141.6m to £163.9m in the six months to June 30, losses per share soared from 12.6p to 70.6p. The interim dividend is held at 4.5p.

However, the group said that the sale of its stake in Dan-Smedvig, an oil drilling and well servicing company, and the sale of its two Airbus aircraft – one of which will be leased back – should ensure that it comes out in the black by the year-end. In 1988 it made pre-tax profits of £9.92m.

Davies & Newman warned in June that Dan-Air had suffered a setback as a result of the downturn in the charter flight market, particularly in the second quarter. Mr Fred Newman, chairman and founder, said that the downturn had continued during the summer season although there had been some improvement in scheduled services.

As a result of the forecast *reduction in the tour market* in 1990, Dan-Air has decided to reduce its number of charter aircraft seats by about 160 out of just over 4,000.

The company's shipping business was said to have performed well, as did the travel agency. But the contribution from associated companies fell sharply during the period, from £1.09m to £214,000.

The 50 per cent holding in Dan-Smedvig and a 26 per cent stake in Dan-Smedvig Supply Ships was sold for £2.66m to Smedvig, Davies & Newman's *erstwhile partner in the ven*tures.

WCRS unveils restructuring to focus on media-buying side

By Ray Bashford

WCRS Group yesterday announced details of a restructuring plan which will reduce *sharply* its involvement in advertising and expand the more profitable media-buying *operations.*

The deal hinges on the £202m purchase of the 50 per cent of Carat, Europe's leading media buying group, which WCRS does not already own, and the acquisition by Eurocom, the Paris-based advertising group, of a significant minority stake in WCRS.

WCRS has been negotiating for more than six months to purchase the outstanding shares in Carat, to add to the 50 per cent acquired last year, as a means of expanding its media-buying *business* and of giving it direct access to the company's strong cash and profits generating sources.

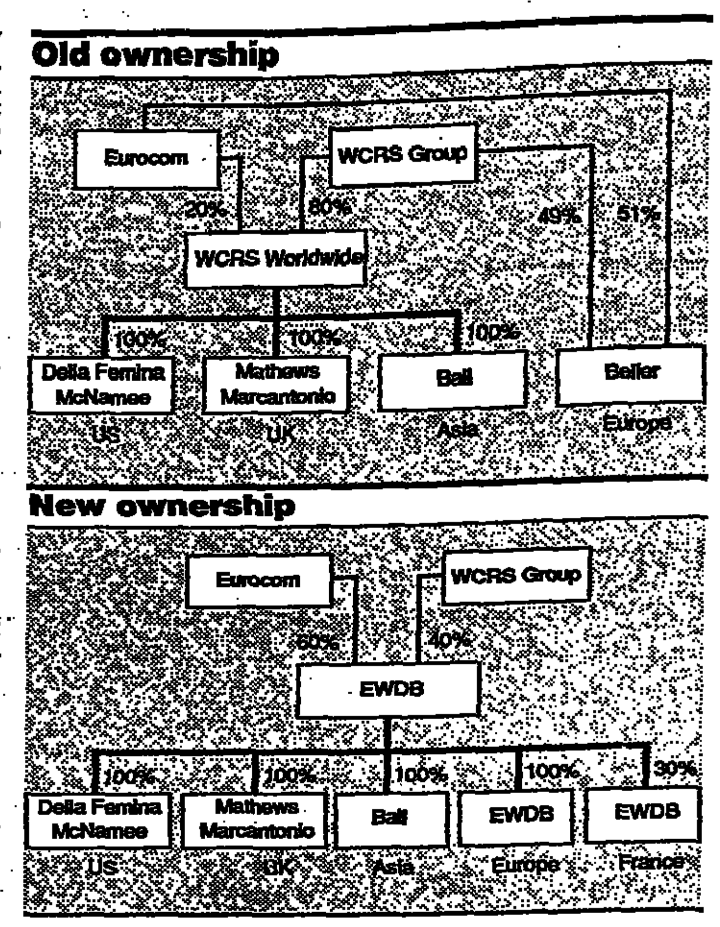
The UK group's media-buying operations returned operating profits of £27.86m *in the* 14 months to June 30. The contribution from Carat compensated for a weak performance in its traditional advertising business and allowed WCRS to report pre-tax profits of £38.1m, compared with £18.25m in the 12 months to April 30 1988.

Speculation has surrounded WCRS shares for the past few months since the negotiations became public and triggered several weeks of sharp movements. Directors yesterday requested that trading be *suspended at 300p while the* agreement was put into place.

Apart from the higher margins that are available in media-buying, WCRS also believes that it lacks the mus*cle to independently finance* expansion in advertising and strengthen its competitive position against the industry's majors.

The rash of international advertising mergers during the past 18 months has tightened operating conditions and complicated WCRS's task of gener*ating satisfactory profits* while remaining independent.

At the completion of the deal, 80 per cent of WCRS's turnover will be generated through media-buying, with the rest derived through public relations, sports sponsorship and advertising.



The £202m price for the remainder of Carat compares with £88m paid for the first half. Payment will be split almost evenly between an ini*tial £100m on completion* and the remainder in four equal annual instalments.

The initial payment will comprise £68.7m cash with the rest in shares. Up to 50 per cent of the deferred payments *will be in cash, with the* rest in either cash or cash and shares.

To finance the initial cash element, the company intends to issue Euro convertible preference shares. However, directors said *that in the light of the* current uncertainty in equity markets, alternative financing arrangements had been put in place for use if necessary.

Carat vendors will have 25 per cent of the enlarged capital of WCRS when the purchase is completed. Eurocom, which is 42 per cent controlled by *Havas, the diversified French* media and advertising group, has agreed to purchase shares from the vendors and take a 10 per cent stake in *WCRS.*

The French ownership in WCRS could swell to almost 30 per cent if Eurocom chooses to purchase additional shares through the market and lift its holding to 14.9 per cent.

The final element of the deal involves Eurocom increasing its holding in the WCRS Adver*tising subsidiary from* 20 per cent to 60 per cent and in Groupe Belier WCRS from 51 per cent to 60 per cent. WCRS will receive £43.5m in cash for the sale of the stakes and the achievement of profit tar*gets could lift this by a further* £4m.

With Eurocom in control after this restructuring, the companies believe that the new group could become an increasingly powerful force in international advertising. It is planned to issue up to £100m of loan notes to finance expansion, with both companies having the right to subscribe.

UK COMPANY NEWS

Recent tremors fail to destabilise restructure plans

Nikki Tait on the possible fall-out for BAT and the Hoylake threat after the events of the last week

IT IS a telling fact that BAT Industries, the tobacco-based conglomerate which has been under the threat of a hostile bid from Sir James Goldsmith's Hoylake consortium, is not quite sure how much space will be needed for today's extraordinary meeting.

At noon today, shareholders will be asked to approve the company's own restructuring plans.

On the one hand, even a partial dismemberment of the UK's biggest conglomerate ought to be a matter of intense investor interest.

Moreover, two recent world news events – the jittery market for leveraged deals in the US and the San Francisco earthquake – have turned the spotlight back on the company. In the former case, there is the question of whether Hoylake's future plans might be affected; in the latter, there is the issue of how BAT's California-based insurance subsidiary, Farmers Group, will fare.

On the other hand, there seems little doubt that the motions being put to the meeting will be passed. With proxies due in two days ago, BAT is already saying that those who have voted appear to be overwhelmingly in favour.

That much could probably have been gleaned from institutional reaction anyway.

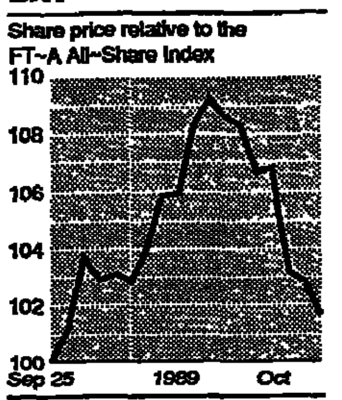
True, the response to the five point proposals – which involve the demerger of BAT's paper and Argos retail interests into two separate quoted companies, plus the sale of other retail subsidiaries and miscellaneous interests – has varied.

Many fund managers have expressed outright enthusiasm, even gratitude. Some others have been more restrained, but only to the extent that they question whether there is much logic in the continued marriage of tobacco and financial services.

Even those who take this latter view are unlikely to quarrel with today's motions. As one fund manager in this camp puts it: "We'll vote in favour. We still question why they stopped short, and we don't believe this is the end of the process. But we've told BAT that our vote today is not binding on us to support management in the future."

This is not particularly surprising.

Analysts have, after all, suggested that the restructuring should appease institutional fears about a sharp share price fall in the absence of Sir James' attentions – the sort of reaction which might have made a well-pitched cash offer hard to reject.



In early October, ahead of the latest stock market turmoil, interpretations of the "worth" of the package, in terms of the share price of the group, as it is currently structured, ranged from around 820p to more than 900p.

BAT shares duly outperformed the market after the restructuring was announced. They rose from about 815p to 850p at one stage.

The events of the last few days have rather spoilt this happy picture.

On Monday and Tuesday, BAT shares fell 8.2 per cent, against a 4.4 per cent tumble in the market. The common explanation of this underperformance is that it represents

Patrick Sheehy: seeking approval for restructuring

the disappearance of some bid premium.

In short, the market had thought Hoylake would make a new bid once it had gained the necessary regulatory clearances from the US insurance commissioners for a change of ownership at Farmers, and it bumped up the price accordingly.

A number of analysts find the recent movements doubly puzzling.

On the one hand, if their earlier valuations were correct, that bid premium should not have been there in the first place.

On the other, at least some BAT-watchers dispute whether a new Hoylake bid has actually become that much more difficult in the light of recent events on Wall Street.

Hoylake itself gives some credence to this view by indicating that it will still pursue the necessary US clearances. True, it now has Axa Midi Assurances, the French-based insurance company which would buy Farmers in the event of a successful Hoylake bid, bolstering its US campaign – so effort and costs are spread to some extent.

But any US clearances are unlikely to come through until well into 1990 at best – by which stage the state of the leverage market is anybody's guess.

And BAT's own restructuring, coupled with the Axa presale, has changed Hoylake's sums anyway. It is at least arguable that the insurance commissioners – not the financiers – remain Hoylake's real problem.

In the meantime, BAT's share picture has been complicated further, as the market yesterday tried frantically to assess the effect on Farmers of the San Francisco earthquake.

BAT maintains that the direct impact is small. Farmers has 13 per cent of the domestic buildings/auto market in California, but says that only 14 per cent of policies have earthquake cover and, even here, excesses are significant. It also does not insure buildings built before 1950.

More critically, however, this insurance is entirely in the reciprocal insurance exchanges which Farmers manages, rather than via policies written by the group itself. The conglomerate maintains that the risks have been "strongly reinsured", and that the exchanges have surpluses of some $2bn anyway.

In theory, then, the knock-on effect would come if claims were sufficiently high to seriously dent these, and Farmers' growth was impaired while the surpluses were rebuilt.

Yesterday, with the extent of the damage only sketchy and amid talk of a positive impact on premium rates, the market was inclined to give the company the benefit of the doubt, at least until the picture clears.

BAT shares fell sharply in early trading but closed 5p higher at 761p.

Whether the company's shareholders spare the time to come to today's meeting may be open to question; that there remains plenty to discuss is not.

MTS will meet Twigrealm today to discuss offer

By John Ridding

THE BOARD of Meat Trade Suppliers, the sausage casing and butchers' sundries company, is considering an offer from Twigrealm, one of the two property companies fighting for control of MTS, after shareholders' rejection of the rival offer from Alpha Gamma, which it supported.

Advisers from MTS and Twigrealm will meet today to discuss the latter's 350p per share offer, which values MTS at £9.18m. But MTS said that Twigrealm's proposal was only one of a number of options.

Alpha Gamma's complex proposals involved it paying 372p for two out of every five MTS shares, with MTS simultaneously paying £12.55m in shares to acquire Alpha Gamma. Shareholders rejected the offer at Tuesday's extraordinary general meeting.

Of the votes cast, 61 per cent rejected the proposal, and this represented more than 50 per cent of the total number of shareholders.

After the vote, MTS requested that its shares, which were suspended in March at 430p, should resume trading. Yesterday, they fell to 365p.

The defeat of Alpha Gamma's proposals illustrates the family feud which has been a feature of the battle for control of MTS. The faction loyal to Mr William Anstis, who was ousted from the chairmanship by Mrs Samantha Allen, his daughter, control about 25 per cent of the shares and are contractually committed to supporting Twigrealm's offer.

It also appears that the trustees of the grandchildren from both sides of the family, which represent about 18.7 per cent of the shares, voted against the Alpha Gamma scheme.

Twigrealm is a newly formed vehicle owned by Mr Freddy Hirsch, a South African butchers' supplier, and Mr Stephen Wingate, a property developer. The company said that shareholders had been given a clear choice and hoped the MTS board would support its offer.

Thorntons accelerates to over £10m and plans more outlets

By Jane Fuller

THORNTONS, the chocolate maker and retailer, yesterday reported a strong increase in pre-tax profits to £10.09m in the 56 weeks to June 24.

In the previous 52-week period, profits were £7.55m. Turnover rose from £52.5m to £63.92m.

Mr John Thornton, chairman and chief executive, said that 75 per cent of turnover – more than £45m – came from company-run shops and franchise outlets. Their numbers had increased from 280 to 305 over the year and sales growth was more than 11 per cent. The supply of chocolates to other retailers, such as Marks and Spencer, contributed £8.3m and showed the strongest growth rate of nearly 20 per cent.

Thorntons owns 27 Mary Morrison card and gift shops in Scotland, which contributed £5.1m. It also benefited from 11 months of sales – £1.7m – at Gartner Pralines, its Belgian subsidiary, and from £827,000 of property sales.

Mr Thornton said the company made 95 per cent of the items sold in its shops in order to ensure freshness and quality. Some £8.4m had been invested in new outlets, refurbishment and production equipment. Expansion would continue, led by the opening of between 30 and 40 outlets a year.

Although the hot weather in July and August had made a traditionally slack period even slacker, he was confident that prospects were good for the Christmas season, which accounts for 30 per cent of sales. Easter was a close second with 25 per cent. The year-end was changed from May to June to allow each half to get the benefit from one of the holidays.

Thorntons has just completed the acquisition of two French companies: Sogeco, which has 55 shops, mainly in Paris, selling chocolates, sugared almonds and ice cream, and Société Nouvelle de Confiserie, which has 11 shops in Normandy and Brittany.

Mr Alan Goodwin, finance director, said these purchases had used up much of the £8.5m raised by the flotation, but the company remained without gearing. The Sogeco shops had been losing money and he did not expect them to be profitable until the next financial year.

Earnings per share grew to 10.19p (8.67p) and a final dividend of 1.68p makes a total of 2.5p. The notional dividend in May 1988, when the company was floated, was 2.1p.

● COMMENT

After a tasty first set of full-year results since flotation, the going may get tougher. Two sticky areas are the squeeze on the UK consumer and the dilution of profits from Paris. Sales growth should be protected by the relatively low price of its products and the propensity of people to give themselves little treats in spite of the economy. Maintaining profit margins may be more difficult. Although productivity has been improved through investment, there may be some pressure on the 20 per cent of costs accounted for by labour. Its expansion into continental Europe is applauded, but even with low gearing, Thorntons will lose the advantage of net interest receipts, which contributed £824,000 in 1988-89. Pre-tax profit for the current year is expected to be between £11m and £11.5m, giving a prospective multiple of 12, close to the sector average. There is little liquidity in the shares, more than 70 per cent of which are held by the family.

US expansion for Lucas with $15m automotive buy

By Clare Pearson

LUCAS INDUSTRIES, the aerospace, automotive and industrial group, is planning to beef up its capability in car body electronic systems with the purchase of Cirtek Corporation, a US automotive parts company, for $15m (£9.5m).

Cirtek, based in Michigan, makes a range of electronic and switching controls for the car industry. Lucas said yesterday it had targetted this product area, one of the fastest growing parts of the automotive industry, as an area for expansion.

The purchase of Cirtek depends on acceptance by minority shareholders. Founded in 1982, it has annual sales of more than $25m.

Last month Lucas ended a three-year old joint venture in heavy duty braking systems with Echlin, the large US car parts manufacturer. It said the two parties had different views on the development of the market for these systems.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Banner Homes § ......int	0.8	-	1	-	2.8
Beazer ......fin	5.05☆	Jan 2	4.25	7.5	6.35
Boot (Henry) ......int	6	-	5.5	-	17.5
Bridgend Group ......int	0.35	Dec 8	0.25	-	0.65
City of Oxford ‡‡......int	0.9375◆	-	-	-	-
C'field Props ......int	6.5	Dec 29	6	-	16
Cradley Group ......fin	1	-	0.9	1	0.9
Davies & Newman ..int	4.5	-	4.5	-	17
Eng Nat pref'd ......int	4.75	Dec 8	4.15	-	13
Eng Nat def'd ......int	2.3	Dec 8	1.7	-	8.1
Farnell Elect ......int	2.1	Dec 8	1.8	-	4.2
Hawker Siddeley ......int	10	Dec 29	8.4	-	22.5
House of Lerose ......int	3	Dec 1	3	-	10
Petrocon ......int	0.5	-	nil	-	nil
Runciman (W) ......int	6†	Jan 5	4.5	-	10.5
Silvermines ......int	1.5♣	Jan 4	1.5	-	4
Synapse § ......fin	3.7	Nov 24	3.375	3.7	3.375
Thorntons ......fin	1.68	Nov 30	nil	2.5	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ΦThird market. ☆Carries scrip option. ♣Irish currency. ‡‡ No comparisons, capital reorganised in February 1989. ◆ Second interim to make 1.875p.

Celestion reveals error in interim figures

by Clare Pearson

AN ACCOUNTING error meant Celestion Industries, the clothing and loudspeaker manufacturer where new broom management was brought in a year ago, sharply overstated both its trading profits and interest charges in half-year results announced last month.

An error on consolidation meant the interest charge was inflated from £274,000 to £465,000 while trading profits, which should have read £24,000, came out at £215,000. The net loss before taxation was correctly stated at £217,000.

Mr Charles Ryder, Celestion's chief executive who is an ex-merchant banker, said: "Obviously this is a highly regrettable oversight, but we have made an announcement as soon as the error was identified."

"Everybody makes a slip from time to time," he added.

The problem with the originally stated figures was that the trading profit included interest payments on inter-company loans which should have been netted off against the interest charge.

Mr Ryder, a former director of BZW Securities, has instituted a sweeping programme of restructuring since he took over Celestion last autumn after acquiring, along with a group of City-based investors, a 29.9 per cent stake.

Celestion's shares closed 5p higher at 61p yesterday.

Correction
S Jerome & Sons

In our report (October 12) on Jerome's interim results, the sales and profits figures for Gardiner of Selkirk referred to the first half of 1988, before the acquisition by Jerome. For the six months to June 1989, Jerome said only that Gardiner had made "an important contribution," giving no figures.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Atlantic Resources, CST E Asia Trust, East Rand Gold & U Elswick, Forward Group, Free State ... Gold, Gerrard & National, ... Medco Fund, Orange Free State ... River & Mercantile Geared, Mortgage & Trust, Transvaal Group, Gold.

Finals- CDFC Trust, Fisher (Albert), ...

FUTURE DATES

Interims-	
Arrow Greenlines	Oct. 26
Ferguson Industrial	Oct. 27
...	Oct. 27
Radiometer	Oct. 27
Scot Trust of Scotland	Nov. 1
Usborne	Oct. 30
Walter Greenbank	Oct. 26
Finals-	
Baldy (A)	Nov. 8
GC Flooring	Oct. 27

Heavy investment in new aerosol plant at root of downfall

Receivers appointed at Talbex

By Clay Harris

RECEIVERS have been appointed at Talbex Group, a contract filler of consumer aerosol products, after the company failed to find a financial saviour. Talbex's shares were suspended at 6¾p on October 4.

Talbex is the second publicly quoted UK company to go into receivership in less than a week, following Sharp & Law, the Bradford-based shopfitter. Receivers have also been appointed at several private groups, the largest of which was Finlays, a chain of newsagents.

On Tuesday, Mr Gordon Horsfield and Mr Roger Marsh of Price Waterhouse's Leeds office were appointed joint administrative receivers of Talbex and 11 of its subsidiaries at the request of Royal Bank of Scotland, the company's lead banker. Talbex owed the bank £9.3m.

The receivers will seek a buyer for Talbex's aerosol division as a going concern. Employing 250 people, it includes one of Britain's most advanced aerosol-filling facilities at Scunthorpe, which has been operating at only 20 per cent of capacity.

Negotiations are also likely to resume for a management buy-out of Osmond Aerosols, Talbex's less modern Grimsby-based operation.

Victoreen, a US designer and manufacturer of radiation monitoring equipment which Talbex bought last year for $12.5m (£7.9m), is also for sale. It is not in receivership.

Royal Bank yesterday said Talbex's future had been given "very intense consideration at the highest level over the past few weeks. It was not a decision that was taken lightly."

Talbex's financial troubles arise in part from its heavy investment at the Scunthorpe plant, at which butane rather than chlorofluorocarbons is used as the propellant in aerosol products. The spending coincided with – and contributed to – considerable overcapacity in the aerosol market.

Of Talbex's £9.3m outstanding multi-option facility with Royal Bank, £1.1m was bonded, £2.5m was secured against the Scunthorpe factory, and the rest was an overdraft.

Although Talbex reported a £1.08m pre-tax profit in the 12 months to July 1988, after two years of losses, it plunged £976,000 into the red at the interim stage this year. In September it warned again of poor trading results.

Separately, Talbex has announced that Mr Walter Jewitt, a main board director and managing director of Osmond Aerosols, had sold 120,000 shares on August 17, but informed the company only on Monday, nearly two months later and 12 days after the shares were suspended.

Mr Jewitt sold the shares at 26¼p, raising a total of £31,800 before expenses. At the suspension price, the same shares would be worth only £7,800. Mr Jewitt still owns 290 Talbex shares.

The Companies Act normally requires directors to disclose dealings in their company's shares within five working days. Mr Jewitt said yesterday that the delay in disclosure was a "pure oversight" and that the shares had been sold to raise funds for the proposed buy-out of Osmond.

Talks on that deal ended with the appointment of receivers at Talbex, but Mr Jewitt said he hoped to renew negotiations. Financing for the MBO was "70 per cent in place," he said.

EMAP forms first European partnership

By Raymond Snoddy

EMAP, the fast-growing British publishing and communications group, yesterday formed its first European partnership, a joint venture with the French publishing group Bayard Press.

The two groups have been brought together by what is known in the trade as "the maturity market."

The leading title of the Paris-based Bayard Press is Notre Temps, a monthly magazine aimed at the over-50s.

The magazine is one of France's top ten sellers, with a circulation of 1.2m, no less than 1.1m of it on subscription.

The 50-50 joint venture is with Choice publications, the EMAP subsidiary which publishes Choice, the monthly market leader in the pre-retirement market with a circulation of 74,140.

Last year Choice Publications also acquired Yours, the monthly newspaper for the over-60s.

The financial terms of the joint venture were not disclosed, but about £5m is likely to be spent developing the over-50s publishing market in the UK.

Mr Hubert Chicou, managing director of Bayard's international publishing division, said yesterday there was already the skeleton of a good magazine in Choices. "We think we can adapt the skeleton," he said.

In particular the French publishers believe they can advise on bringing a more practical edge to its editorial content and increasing its circulation through direct mail.

Both sides *will also try to* persuade advertisers of the importance of the over-50's as a market with relatively high disposable income.

Amber Industrial plans chemicals expansion

By Andrew Hill

AMBER INDUSTRIAL Holdings, the industrial aerosols manufacturer controlled by the Cayzer family, is to buy two speciality chemical companies for up to £2.36m.

The acquisitions will be funded by an open share offer aimed at raising £4.72m. The one-for-two offer will be made at 385p per share, against yesterday's closing price of 420p, down 7p.

The balance of the offer proceeds will fund further expansion in the speciality chemicals sector.

Amber announced yesterday that it hoped to declare an interim dividend of 4.4p for the first half of 1989-90, against 3.75p in the equivalent period.

Caledonia Investments, the Cayzers' investment group, is to reduce its holding in Amber from 80 per cent to 75 per cent following a request from the Stock Exchange, which requires all quoted companies to have at least 25 per cent of free equity.

Amber is buying Servo-Chem, which supplies industrial maintenance chemicals – cleaning fluids and degreasing solvents, for example – and its sister company Formal Blending, which manufactures for Servo-Chem and a number of other commercial customers. Both companies are based in Weston-super-Mare, Avon.

Amber intends to use £1.5m of the surplus offer proceeds to move its Ambersil industrial aerosol subsidiary from Basingstoke to Bridgwater, Somerset, next year. Eventually Formal Blending will be moved to the same site.

Amber will pay an initial £1.86m in shares for 92.5 per cent of a new company formed to buy the two businesses. The balance will be retained by Servo-Chem's managing director.

Some £300,000 cash will be paid for certain fixed assets and stocks plus a further £200,000 if the two companies' profits in the year to March 1990 exceed a total of £335,.. before tax.

In 1988-89 the businesses returned an aggregate net loss of £24,000, but Amber said it had identified certain immediate opportunities to cut costs.

NEWS DIGEST

Banner Homes dives to £168,000

PROFIT MARGINS of Banner Homes, a USM-quoted housebuilder operating mainly in Oxfordshire and Buckinghamshire, were severely hit in the six months to June 30.

Turnover advanced from £3.16m to £3.46m but pre-tax profits dived to £1.34m to £168,000; interest payable was more than doubled at £538,000 (££244,000).

Directors said the damage was caused by higher interest rates and increased competition for fewer buyers. However, the industrial and commercial property sector had performed well and rents had risen substantially on review, they added.

Earnings fell from 7p to 1.3p after a nil (£461,000) tax charge and the interim dividend is cut back from 1.1p to 0.8p

Chesterfield Properties grows

In spite of a rise of over £2m in interest charges Chesterfield Properties was able to record a 16 per cent increase in pre-tax profits to £6.29m for the first six months of 1989.

Directors said the results showed a continuing increase in rental income generated by the company's investment portfolio.

The rise in the interest charge, from £477,000 to £2.56m, was primarily attributable to those properties which contributed to rental growth for the first time.

Turnover totalled £12.7m (£9.42m). Earnings emerged at 17.97p (16.35p) and the interim is increased to 6.5p (6p).

English National assets advance

English National Investment Company, an investment trust, yesterday announced net assets at September 30 of 349.29p per preferred share and 274.29p per deferred share – advances of 18 per cent and 24 per cent respectively on a year earlier.

Earnings per £1 preferred worked through at 7.6p (6.55p), with the interim dividend raised to 4.75p (4.15p). Deferred shares showed an increase in earnings to 5.15p (4.10p), with a dividend of 2.3p (1.7p).

Modest assets rise at First Charlotte

Net asset value of First Charlotte Assets Trust increased by 4.3 per cent to 15.28p at end-September.

Gross revenue for the interim period was £245,000 (£201,000) and pre-tax profits were £147,000 (£104,000).

Earnings per share came out at 0.12p (0.10p), an increase of 20 per cent.

House of Lerose shows 19% gain to £605,000

The House of Lerose, a designer and manufacturer of ladies' fashionware, posted a 14 per cent increase from £529,000 to £605,000 in pre-tax profits, on turnover ahead 11 per cent to £10.12m.

Directors said the improvement was attributable to both the UK and Dutch garment subsidiaries which were the main contributors to the growth in turnover. The results were also helped by *increased interest received due* to higher rates.

Tax took £214,000 (£229,000) leaving earnings 1.6p up at 6.9p. The interim dividend is maintained at 3p.

Silvermines shoots ahead to I£4m

Pre-tax profits surged from I£1.13m to I£4.14m (£3.76m) at Silvermines Group in the six months to June 30. Turnover at the Dublin-based company also advanced strongly from I£12.81m to I£30.59m.

The group's main activities are in engineering and technology, electrical and electronics and property and services.

Interest expense of I£1.58m (I£136,000) was more than offset by investment income of I£2.7m (nil). The interim dividend is maintained at 1.5p from earnings per 2.5p share of 10.98p (4.23p).

Bridgend reports marginal increase

Bridgend Group, the manufacturer and distributor of electronic, security and electrical products, reported pre-tax profits up 4 per cent from £170,000 to £177,000 in the six months to end-June.

The directors said that the strong competition in the security industry had been more than offset by the performance of the electrical distribution business.

The sale in May of the security division had immensely strengthened the balance sheet, they said.

All indebtedness had been eliminated and the surplus cash resources had been placed in the money market.

Turnover was reduced from £8.06m to £7.34m. After tax of £62,000 (£34,000) earnings per 10p share were 0.8p (0.95p).

The interim dividend is increased to 0.35p (0.25p).

Petrocon helped by rationalisation

Petrocon Group, where a change of management and a capital restructure took place earlier this year, raised profits *from £108,000 to £511,000* pre-tax for the six months to end-June. Turnover rose over £1m to £4.55m.

Earnings worked through at 1.91p (0.56p) and dividends are being resumed via an interim of 0.5p.

Petrocon is a valve maker and survey group.

During the period trading was satisfactory with both operating divisions gaining from the benefits of the rationalisation.

The group currently has cash resources of some £4.75m.

It is planning further development by acquisition.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1988							
1st qtr.	107.2	110.6	31.4	117.0	118.7	2,486	246.9
2nd qtr	108.3	112.4	32.1	118.7	122.7	2,384	255.2
3rd qtr.	110.5	115.5	32.5	120.1	125.9	2,228	264.3
4th qtr.	110.1	117.0	32.4	121.0	138.4	2,101	244.9
October	110.9	116.1	32.3	121.0	132.5	2,159	251.2
November	110.5	116.7	32.7	120.7	145.2	2,105	245.2
December	109.7	116.6	32.4	121.1	161.9	2,037	238.3
1989							
1st qtr.	109.5	118.6	36.6	121.5	125.4	1,952	226.7
2nd qtr.	108.3	118.4	37.3	122.3	132.7	1,834	222.2
January	109.2	119.1	34.9	119.5	124.3	1,988	229.2
February	109.3	118.3	35.2	122.1	123.6	1,949	228.1
March	109.5	118.4	38.6	122.5	127.4	1,917	222.9
April	109.2	117.4	38.0	120.9	131.6	1,858	222.1
May	107.8	119.2	37.5	124.5	133.4	1,836	218.2
June	107.9	118.7	37.4	121.5	133.0	1,810	226.4
July	109.5	119.2	38.1	121.0	136.6	1,787	219.9
August	111.1	120.8		121.5	134.0	1,751	216.7
Sept.				122.1			

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100): housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
2nd qtr	111.5	109.2	106.6	110.1	120.3	100.9	22.3
3rd qtr	113.5	113.9	108.9	114.8	123.7	102.1	20.4
4th qtr	113.7	115.5	108.3	116.6	124.3	101.7	18.4
Sept.	114.4	116.1	107.9	116.5	120.0	102.0	20.1
October	112.8	115.2	106.9	117.0	128.0	101.8	19.6
November	114.3	116.1	107.1	117.0	120.0	101.8	21.4
December	113.9	115.5	105.9	116.0	125.0	103.0	14.2
1989							
1st qtr.	114.3	118.6	104.2	118.3	130.4	99.3	17.9
2nd qtr.	114.8	117.5	102.1	118.0	122.7	98.7	18.5
January	113.5	120.1	104.4	119.0	137.0	98.0	18.5
February	113.7	118.7	104.2	118.0	128.0	100.0	19.4
March	115.3	118.4	104.0	118.0	125.0	99.0	15.8
April	114.7	115.1	104.8	116.0	130.0	99.0	18.4
May	115.1	118.5	100.8	119.0	123.0	99.0	19.5
June	114.8	120.9	100.6	118.8	118.0	98.0	17.5
July	115.3	121.4	102.8	120.0	120.0	99.0	14.9
August	114.6	122.9	105.5	121.0	123.0	98.0	13.6

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	107.3	119.6	-4,628	-3,061	+730	97.0	44.84
2nd qtr	114.9	126.2	-4,530	-2,781	+985	97.1	48.52
3rd qtr	112.6	134.6	-5,724	-3,410	+827	97.3	50.46
4th qtr.	107.5	134.7	-6,465	-5,365	+389	96.7	51.68
November	105.3	131.3	-1,950	-1,583	+150	96.3	51.04
December	109.5	133.2	-1,615	-1,446	+152	97.5	51.69
1989							
1st qtr.	112.8	140.4	-5,980	-4,777	+241	98.7	50.46
2nd qtr.	115.1	140.2	-5,832	-4,907	+291	98.8	43.67
January	117.1	145.1	-2,047	-1,646	+115	98.9	51.71
February	105.4	138.0	-2,215	-1,814	0	98.6	51.68
March	115.6	138.2	-1,718	-1,317	+126	98.7	50.46
April	111.5	140.0	-2,175	-1,853	+134	98.9	47.26
May	113.4	138.4	-1,725	-1,402	+58	98.9	46.09
June	117.9	142.1	-1,974	-1,652	+99	98.9	43.67
July	115.5	148.2	-2,485	-2,185	+61	98.3	43.63
August	111.1	141.1	-2,297	-1,997	+88	98.7	43.21
September							42.88

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1988							
2nd qtr	6.6	14.6	16.8	+22,388	4,173	+1,022	9.50
3rd qtr.	7.7	16.6	18.5	+22,492	3,162	+996	11.50
4th qtr.	7.7	18.8	17.5	+19,680	3,168	+797	12.70
October	7.7	17.1	17.2	+6,381	1,583	+182	12.00
November	7.7	15.4	17.4	+5,909	766	+349	13.00
December	7.7	18.8	17.5	+7,390	819	+266	13.00
1989							
1st qtr.	6.7	15.2	18.4	+21,235	2,661	+814	13.00
2nd qtr.	5.9	12.5	19.2	+21,215	1,735	+968	14.00
January	7.2	15.4	18.6	+8,670	784	+241	13.00
February	6.8	15.7	18.5	+4,788	1,064	+263	13.00
March	6.2	15.2	18.4	+7,777	813	+310	13.00
April	5.7	15.8	18.2	+7,127	1,175	+333	13.00
May	6.2	14.4	18.5	+6,597	713	+487	14.00
June	6.9	12.2	19.1	+6,929	-153	+166	14.00
July	5.3	10.6	16.9	+7,579	846	+246	14.00
August	6.6	10.6	17.7	+8,443	621	+370	14.00
September							14.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1988							
1st qtr.	122.6	98.9	111.0	103.7	103.5	1,747	75.3
2nd qtr	124.6	97.8	112.6	106.2	104.6	1,817	77.6
3rd qtr.	127.0	98.8	113.9	108.6	104.7	1,902	75.9
4th qtr.	131.5	100.1	115.2	109.9	105.7	1,867	77.5
November	130.7	99.8	115.2	110.0	105.7	1,866	77.1
December	134.3	102.5	115.4	110.3	106.5	1,921	79.0
1989							
1st qtr.	134.0	102.8	118.8	111.7	107.8	1,974	97.1
2nd qtr.	136.4	104.4	118.2	114.9	110.2	2,010	93.6
January	133.3	104.0	116.4	111.0	107.4	1,969	97.9
February	133.8	101.9	116.8	111.8	107.7	1,954	97.4
March	134.9	102.4	117.2	112.3	108.3	1,998	95.9
April	135.6	103.9	117.8	114.3	109.6	2,016	95.5
May	135.9	104.7	118.3	115.0	110.3	2,010	94.3
June	137.8	104.7	118.6	115.4	110.7	2,027	91.1
July	138.4	102.8	119.0	115.5	110.1	1,940	92.2
August		102.6	119.5	115.8	110.6	1,902	91.6
September		103.4	120.0	116.6	111.3	1,893	91.3

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

UK COMPANY NEWS

Farnell contained by start-up costs

By Clare Pearson

FARNELL ELECTRONICS, the manufacturer and distributor of electric and electronic equipment, yesterday announced a 9 per cent rise in pre-tax profits from £11.93m to £12.98m for the six months to end-July.

Turnover was up 39 per cent to £84.91m. Within this increase, £15m came from contributions from acquisitions, leaving growth in sales of underlying businesses at 15 per cent.

Operating profits increased by 15 per cent from £10.57m to £12.16m. But excluding losses incurred in UK greenfield joint ventures and in start-up overseas distribution businesses, they would have risen in line with turnover.

The pre-tax figure was struck after a reduced interest credit of £436,000 (£1.36m), as a result of last year's three acquisitions, and a £380,000 exceptional credit for the sale of DH Group, a joint venture involved in aircraft communications.

On the distribution side, Farnell Electronic Components maintained its margin on increased turnover. The division has gained planning permission to expand its premises in Leeds; over the next five years the present space will be doubled.

Astronic, the small West German business acquired in 1986, moved back into profit. The start-up business in West Germany performed in line with expectations while that in Australia "achieved unbroken sales growth since opening for business last November."

Mr Henry Elstone, finance director, said that on the manufacturing side UK economic conditions were having a dampening effect on the electronic equipment market, but strengthened trading in exports justified its strategic position in overseas markets. New data transmission lines were being set up to improve the marketing of the division.

Advance Power Supplies, Wallis Hivolt and Wayne Kerr, the three manufacturing companies bought last year, moved into profit. Their combined operating margin was about 10 per cent, Mr Elstone said.

Earnings increased slightly to 6.1p (5.9p) and the interim dividend is 2.1p, a 17 per cent improvement on last time's 1.8p. The current net cash balance is £10m.

Henry Elstone, group finance director

● COMMENT

Farnell has a few points in its favour at the moment. Its core UK distribution business, defensive during a recession, is performing well. Unlike Electrocomponents, its peer in the British market, Farnell has not made any unpopular moves into the retail market. And its shares have performed particularly weakly of late. On the other hand, memories of Farnell's ill-starred decision to invest £10m in equities in August 1987 live on: there are continuing concerns about its approach to diversifications to use up the cash generated by the core business. Certainly, the two UK start-up ventures with which it is currently involved – Terrafix, which has developed a vehicle locations system, and FFB, with an information retrieval system – burned a sizeable hole in its pocket during the first half. In the full-year, pre-tax profits may be above £30m, putting the shares on a prospective p/e of about 9. They should probably be a little higher.

Cradley up but pressure mounts on margins

By Ivor Duce

PRE-TAX profits of Cradley Group Holdings, lithographic printer, rose by 15 per cent to £1.87m for the year to June 30 from a turnover £3.6m ahead at £17.16m.

The profits, however, were struck after taking in exceptional credits of £635,262 (£101,048) relating to a profit on sale of investment and on printing machinery.

Before tax and exceptional items margins decreased from 11.25 per cent to 7.2 per cent.

The pressure on margins reflected not only intense competition in the industry but also costs arising from the installation of a new G16 press and other presses during the year.

Competition was expected to remain intense but Cradley felt it was in a good position to meet the pressure, having kept abreast of new developments and techniques in the industry.

Earnings advanced to 3.7p (3.2p) after tax of £669,000 (£573,242).

A dividend of 1p (0.9p) per 10p share is being paid.

Lilleshall expansion

Lilleshall's rubber and thermoplastic extruding subsidiary DJ Profiles, has acquired a factory and office unit in Telford for £732,500.

Viscount Runciman, chairman, described results for the six months as excellent and said there was more to come.

Runciman advances 47% to £2.65m

By John Ridding

WALTER RUNCIMAN, the shipping, security and insurance group, continued its steady earnings growth in the six months to the June 30 with pre-tax profits rising 47 per cent from £1.81m to £2.65m.

Viscount Runciman, chairman, described the results as "excellent" and said "there is *more to come.*" *He said that* the second half has started strongly and that he was confident of a "highly satisfactory out-turn for the full year."

The company does not give a divisional breakdown at the half way stage but the main profit centre remains the group's liquid fuel shipping operation which forms part of the Unigas consortium.

Viscount Runciman said the gas carrier fleet traded "very satisfactorily" and that the second half would be boosted by the arrival the Teviot, its new ethylene carrier.

The new ship will be the largest in the consortium and will increase Runciman's liquid fuel transport potential by about one third. Despite financing costs, the Teviot, which was delivered in June, will start contributing profits immediately.

The fastest growing division is freight services, which comprises the Currie Line business and the Silver Roadways haulage business acquired in July from Tate and Lyle.

The company said the Silver Roadways acquisition was the *first step in its objective of* expanding freight services and that a number of other acquisitions were under consideration. Part of the incentive is the potential for increased trans-European haulage as a result of the 1992 reforms.

Tann International, Runciman's physical security business, benefited from buoyant order books. There was an exceptional charge of £202,000 *relating to redundancy and* reorganisation costs, but no further charges are expected in the second half.

Turnover increased from £15.72m to £18.93m and earnings per share rose from 13.3p to 19.2p. The interim dividend is increased from 4.5p to 6p.

Viscount Runciman said that he had not been in contact with Telfos Holdings, the diversified engineering company which bid for Runciman last year and which has been free from August to do so again. Telfos retains a 29.4 per cent stake in Runciman.

Norex back into the black with £2.37m

NOREX, the shipping and insurance group formerly known as Common Br[illegible] swung from losses of [illegible] to profits of £2.37m pre[illegible] the year ended June [illegible].

Furthermore, the sale [illegible] this year of the cruise [illegible] business generated a profit [illegible] £4.7m which was taken [illegible] the line as an extraordinary item.

Mr Kristian Siem, chairman, said *substantial* progress [illegible] been made in developing [illegible] group activities. He pointed out that Norex's other shipping interests had benefited from improved market conditions and had returned profits [illegible] £2.8m at the pre-tax [illegible].

The insurance [illegible] ever, ran up a loss [illegible] steps have been taken [illegible] revenue and expenditure [illegible] line. Mr Siem said [illegible] rigid control of costs [illegible] insurance activities [illegible] become profitable even [illegible] [insurance] market con[illegible] continue."

The group's long term [illegible] egy was for the financial [illegible] vices activities to be con[illegible] through London-based [illegible] iaries with the shipping [illegible] tion concentrated [illegible] Norex America, now [illegible] cent-owned subsidiary.

A joint venture, F[illegible] mon, has been form[illegible] handy size bulk tonnage [illegible] vessels are already on [illegible] and operating profitably.

For the past year ea[illegible] amounted to 1.41p (0.11p) a[illegible] the board said it was expecting a resumption of dividends in the current year – the last payment was in 1983.

Improvement at Henry Boot

Profits of Henry Boot & Sons, the building, civil engineering concern, rose from £1.25m to £1.55m pre-tax for the first six months of 1989 from a turnover £5.5m lower at £71.58m.

Competition remained fierce for Boot's construction companies.

The directors warned that full year completions would be significantly lower than 1988.

Earnings rose by 2.9p to 18.1p and the interim dividend is being lifted by 0.5p to 6p.

TI sells further Thermal Scientific unit for $3.8m

By Clay Harris

TI GROUP, the specialist engineering company, is selling Ebtec Belts and Sciences, a US manufacturer of precision metal belts and electron sources, for $3.8m (£2.4m) cash. The buyer is the Massachusetts-based company's management.

The operation being sold is part of Ebtec Corporation, itself a subsidiary of Thermal Scientific, a maker of high temperature vacuum furnaces which TI bought for £72.5m in September 1988. Ebtec Belts has annual sales of about £2.7m.

The latest deal brings to £21.9m the proceeds of TI's disposals of Thermal's peripheral operations. With more assets, mainly property, still to be sold, TI believes it is on track to meet its target of £24.5m.

Synapse static with £1.1m

Profits of USM-quoted Synapse Computer Services for the year to end-July were virtually static at £1.1m pre-tax compared with £1.16m.

The directors pointed out that a 33 per cent improvement in turnover to £9m reflected marked progress in both the US and mainland Europe.

Plans implemented in the past financial year would accelerate growth in all areas, they said. With this in mind they are increasing the year's dividend from 3.375p to 3.7p.

PUBLIC WORKS LOAN BOARD RATES

Effective October 18

Years	Quota loans repaid by EPT	At†	at maturity	Non-quota loans A* repaid by EPT	At†	at maturity
1			13½			14¼
Over 1 up to 2	13⅛	13⅛	12⅛	14⅛	14⅛	12⅞
Over 2 up to 3	12½	12¾	11⅝	13½	13⅜	12⅜
Over 3 up to 4	12	11⅞	11⅜	13	12⅞	12⅛
Over 4 up to 5	11¾	11⅝	11⅛	12¾	12⅝	11⅞
Over 5 up to 6	11½	11⅜	11⅛	12	11⅞	11⅝
Over 6 up to 7	11⅜	11¼	11⅛	11⅞	11¾	11⅝
Over 7 up to 8	11¼	11¼	11	11¾	11¾	11½
Over 8 up to 9	11¼	11⅛	10¾	11¾	11⅝	11¼
Over 9 up to 10	11⅛	11⅛	10⅝	11⅝	11⅝	11⅛
Over 10 up to 15	11	10⅝	10¼	11½	11⅛	10¾
Over 15 up to 25	10⅞	10⅛	9⅞	10⅞	10⅝	10⅜
Over 25	10	9¾	9¾	10½	10¼	10¼

COMPANY NEWS IN BRIEF

SENIOR ENGINEERING Group announced that it had sold its subsidiaries Senior Process Heating (including its Wild Barfield and Barlow Whitney divisions) and Wild Barfield SA to Teampace Holdings for £2.4m cash.

DALGETY is buying Hoperman Group, a private German petfoods business for DM6bn (£23.8m) cash. Further profit-related payments up to £2.4m may be due. Turnover is about £34m and the assets are valued at £16.1m).

DERBY TRUST: Net asset value per capital share at end-September amounted to 415p (equivalent to assets of £53.49m). Comparative figures at June 30 were 385p and £49.52m. Total value of the trust's portfolio at September 30 was £58.24m.

LONDON AND Cambridge Investments has completed property transactions in Leeds totalling £12m, including the acquisition of a 3.5 acre site at Wortley for the development of 15 office buildings.

LONDON AND ST LAWRENCE Investment Company: Net asset value at August 31 was 131.86p (102.25p). Gross income was £700,000 (£688,000) and pre-tax profit £671,000 (£662,000). Tax took £168,000 (£173,000) leaving earnings per share of 2.62p (2.55p).

COURTAULDS has acquired 75 per cent of Fabbri Artes Graficas, Spain-based supplier of packaging products to the fresh produce market, for an undisclosed sum. Fabbri has a turnover of about £5.75m.

COMMODITIES AND AGRICULTURE

Australian wool stocks hit 1m-bale mark

By Chris Sherwell, in Sydney

HEAVY *intervention buying under its floor price scheme* has driven the Australian Wool Corporation's stocks to the 1m-bale mark in less than 15 weeks' trading of the current season.

The figures, confirmed yesterday by Mr Hugh Beggs, the corporation's chairman, were not a cause for panic, he insisted. "For 10 of the 20 years of the operation of the Reserve Price Scheme we have had more than 1m bales in stock."

However, the situation was more difficult this year because of a dramatic increase in domestic production and a lower trade demand for wool – the result of higher wool prices over the past two years.

He repeated an earlier call for a lower Australian dollar to help wool compete with other fibres, *but he ruled out any* lowering of the corporation's floor price of 870 Australian cents per kilogram (clean).

The corporation has never lowered its floor price, and is reluctant to set a precedent. The current price, set at the 1988-89 season's level – in spite of forecasts of a weaker market – has seen the corporation buying 45-55 per cent of weekly market offerings.

According to Mr Beggs, the corporation's support operation, which is funded by the woolgrowers themselves, has enough cash reserves to buy 1.8m bales of wool, plus a substantial capacity to borrow to support the market further.

Commodity analysts point out, however, that with growers receiving a price above market, they have an incentive to continue producing. At the same time their output is going into storage rather than export markets, thus hurting the balance of payments.

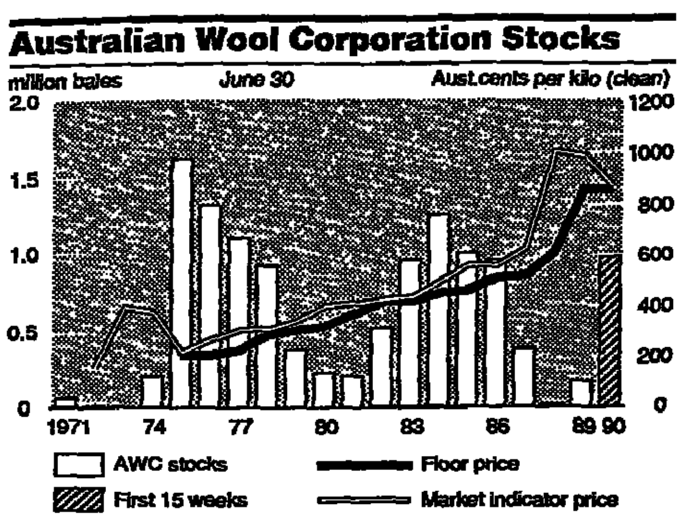
In 1988-89, wool was the country's largest commodity export earner, at A$6bn. However, the government's Bureau of Agricultural and Resource Economics recently revised its wool export forecasts for 1989-90 down to A$4.9bn – a figure still widely regarded as conservative.

One difficulty this season has been the near absence of two main buyers: China, due to *foreign exchange constraints*, and Japan. However, because China needs to generate export earnings from wool garments and Japan's inventories are falling, auction clearances are expected to improve.

The corporation is normally a net buyer of wool in the first half of the season and a net seller in the second half, according to Mr Beggs. The Australian Council of Wool Exporters is less sanguine, however, seeing flat external demand and no sign of a break.

Because of the corporation's buying, the first 15 weeks' sales of the current season have seen the benchmark market indicator price moving narrowly between 879 and 889 Australian cents. To help meet the difficulties in the market, Mr Beggs said yesterday that the corporation had arranged a "substantial increase in funds" to the International Wool Secretariat – the worldwide marketing arm of the Australian wool industry.

Australian Wool Corporation Stocks



Source: James Capel Australia

THE WORLD record price for a Poll (hornless) Merino ram was smashed yesterday when a product of South Australia's well-known Collinsville Stud attracted a bid of A$380,000.

At the annual sales in Dubbo, New South Wales, a Tasmanian stud owner's offer for a Poll Merino, named Glenroy 847, easily eclipsed the previous record of A$180,000, set last year by another Collinsville ram.

The new price was effectively double the old record because, under revised sale conditions, Collinsville is retaining a 25 per cent interest. That makes the offer equivalent to A$375,000.

Collinsville's achievement follows its success last month at the Adelaide sales, where one of its Merino rams attracted a world record A$450,000 and another a price of A$360,000. The previous record for a Merino was A$330,000.

The Poll Merino is the result of careful crossing of the pure Merino – which comprises around two-thirds of Australian sheep – with another breed and then crossing back to the Merino. Although it displays the same visual characteristics, it does not have horns.

Yesterday's buyer, Mr Gerard McShane, said his purchase was part of a five-year plan to develop his own stud and the Poll Merino industry. Collinsville sold five Poll Merinos altogether for a total of A$828,000.

Ivory Coast growers 'to sell beans directly'

By Mark Huband, in Abidjan

IVORY COAST cocoa growers are to be given even greater freedom to sell their beans direct to exporters, in a new move which throws into further doubt the future of the Caisse de Stabilisation, or state marketing board.

Growers on cocoa co-operatives in the coastal area of Dabou, west of the capital, Abidjan, were told yesterday they could sell direct to exporters and would be given contracts of sale.

Individual growers outside the co-operative organisation, the GVC, will also be able to sell direct if they can produce loads of at least 250 tonnes.

Farmers were also told premiums would be paid if quality was improved. If damaged beans constitute less than 5 per cent of each kilo sold, a premium of CFA Fr18 per kilo will be paid. A CFA Fr9 premium will be paid if the proportion of damaged beans is between 5 and 10 per cent per kilo.

Both moves come in response to the recent 50 per cent cut in the price paid to producers for cocoa – from 400 CFA francs to CFA Fr200 (63 UScents) per kilo. It is hoped that further direct sales will increase rural incomes, at a time when rural depopulation is beginning to reach critical proportions and plantations are falling into decay in several areas of the country.

The decision to allow direct sales by farmers to exporters also throws the future of the *Caisse into further doubt.* As part of an economic stabilisation programme, the role of the government is likely to be reduced in order to ensure that prices are set in accordance with world market demands.

In the past 12 months 300,000 tonnes of produce were moved outside the jurisdiction of the Caisse.

In a Cabinet reshuffle, on Monday, responsibility for cocoa was brought under the closer direction of the office of the President, Felix Houphouet-Boigny, following the sacking of the long-time Agriculture Minister, Denis Bra Kanon.

EC harvest triggers 3% cereal price cut

By Tim Dickson and Bridget Bloom in Brussels

CEREAL PRODUCERS in the European Community face an automatic 3 per cent cut in farm gate prices next year, following publication in Brussels yesterday of the Commission's formal crop estimate for 1989-90.

The figure has been fixed at 160.5m tonnes – a fraction more than the 160m tonne "maximum guaranteed quantity," which provides the basis for penalties under the "stabiliser" for this sector.

Under the stabiliser arrangements – agreed at the February 1988 Summit as part of an effort to curb Community spending on agriculture – any cereals production above 160m tonnes results in an automatic 3 per cent reduction in prices in the subsequent marketing year.

The overall impact on farmers, however, will depend on the outcome of the annual Spring price negotiations, when farm prices generally are adjusted.

According to the rules of the cereals regime, yesterday's figure should also have led to a 0.3 per cent additional co-responsibility levy (on top of the long standing basic 3 per cent tax). However, in view of the narrow margin by which the threshold was exceeded, the EC's farm commissioner, Mr Raymond MacSharry, has decided to waive this payment.

Any advances made by farmers earlier in the season will therefore be returned in full.

A spokesman for Mr MacSharry, who was subjected to *some tough lobbying by farm groups before yesterday's decision, admitted that crop expectations* as a result of the weather up to July had been less than 160m tonnes.

Some sources, however, were now suggesting a level as high as 162m tonnes, and the commissioner had decided to proceed at this stage "given the circumstances under which cereals producers find themselves this year, and knowing that the estimates of total output have not changed in the last six weeks."

The Commission, meanwhile, also gave its blessing yesterday to a series of proposals aimed at softening the effect of EC market measures on mainly smaller producers.

These will involve new initiatives in the main arable crop sector, for "minor cereals" such as buckwheat, canary seed and millet, for small scale cotton producers and small milk farmers.

As part of the same package – for which Brussels wants to set aside Ecu200m – the Commission approved plans for a new network of agricultural information offices and gave its outline agreement to measures to promote quality in agricultural products and foodstuffs.

Cost of Turkey's driest summer for 50 years could total $2bn

By Jim Bodgener, in Ankara

TURKISH agriculture is counting the cost of the driest summer in about 50 years. Foreign experts estimate that the total bill in lost exports and domestic production could total $2bn, while the effect on gross national product will be equally severe.

The state-owned Soil Products Office (TMO) is expected *to import about 5m tonnes of* grain costing up to $750 million, and $1bn when lost export revenues are taken into account.

During the past 18 months, Turkey has exported around 2.2m tonnes of grain. However, much of this was damaged by pests, and sold at large discounts at about $88 a tonne as feed wheat.

Internally, the drought has meant lower production in most crops, except hazelnuts and tobacco, and lower forage tonnages have fed through into decreased livestock products – particularly meat and milk. *Areas worst hit by the drought* were the south-east and central Anatolia, although Thrace was fairly unscathed.

Domestic wheat production, according to the experts, has fallen back to about 11.5m tonnes from last year's admittedly bumper 15m tonnes.

It is estimated that Turkey requires a total 14m tonnes of wheat to be self-sufficient, which means a short-fall of about 3m tonnes.

Purchases by TMO are likely to be larger than this amount – sources say the organisation oversold itself in recent years as part of a policy of not keeping high stocks.

However, *in the opinion of* diplomatic sources in Ankara, overimporting at the present rate is a wise move, both to safeguard against another bad year in 1990, and to provide TMO with a reserve which will dampen prices countrywide.

It is also sensibly importing at a staggered rate every month – last week, tenders were out in the US for 150,000 tonnes.

Tapioca and sorghum, unusually, are included amongst the projected imports; about 700,000 tonnes of maize will also be bought.

The shortages have fuelled inflation in the prices of bread and other foods – in spite of *being bolstered by subsidies* – leading to unseasonably high *inflation over the summer* months when traditionally indexes fall as the harvest is gathered in.

The high prices are expected to continue into the winter, exacerbating electoral wastage because of inflation for the ruling Motherland Party (ANAP).

Adding to the drought difficulty this year for the grain has been rain during the harvest month of July, which damaged standing crops.

Standing out against the gloom is excellent hazelnut production of about 450,000 – 460,000 tonnes in the *Black Sea regions which escaped the* drought.

At the same time, tobacco has benefited to some extent from the dry conditions. However, even irrigated cultivation suffered in southern coastal regions, as water use was restricted by falling reservoir levels – the cotton crop is down by around 10 per cent, although exports anyway have been offset to some extent by the freeing of import duties last year.

Citrus fruits, especially lemons, have also suffered badly; lemon trees were also damaged by widespread frost last winter.

Not only was it a very dry *spring and summer,* but precipitation was disappointing last autumn and winter. The resulting hard ground froze and also slowed down germination.

So far, autumnal rainfall appears to be normal this year, but it is too early to tell – if the rains fall again, Turkish agriculture could be in very serious straits next year.

Dubai expansion set for early completion in 1991

By Kenneth Gooding, Mining Correspondent

DUBAI Aluminium Company's $200m expansion programme to add more than one third to its production capacity is on course to be finished ahead of schedule in the first quarter of 1991, says Mr Ian Livingstone, deputy chairman and chief executive.

Last year Dubal produced a record 163,445 tonnes of aluminium products, 5.6 per cent up on 1987. This year's output will be about 168,000 tonnes. The expansion programme, including the installation of a new primary aluminium potline, will add about 65,000 tonnes to annual capacity, Mr Livingstone says.

He insists that the expansion plan did not spring from a belief that recent high aluminium prices would continue. "Far from it. The price will be very unattractive at times in the future and the project was designed to cut the cost per tonne of metal.

"We will be adding 40 per cent to production capacity, but we believe we will double the cash generating capacity of the business."

The project includes the recently-completed installation of a steam cycle electricity generating plant, which enables the Dubal to increase substantially its power output for use by the aluminium smelter without using any extra fuel. The system also enables the company to maintain its water production for Dubai – an average of 23.45m gallons a day last year.

Mr Livingstone says that all funds for the project were generated internally.

Dubal came into operation in 1979. It is owned by the Al Maktoum family, the clan of sheikhs which controls Dubai. *The population of Dubai is just* 420,000, but it is the second-largest of the seven states making up the United Arab Emirates.

The company has benefited from the virtual elimination of the Japanese aluminium smelters in the 1980s, and last year Japan was its best customer, taking 64.3 per cent of the 161,265 tonnes of aluminium sold by Dubal.

The US was the second-largest customer, taking 11.5 per cent, followed by Taiwan, taking 7.3 per cent.

Mr Livingstone says Dubal has virtually eliminated commodity grade aluminium – of 99.7 per cent purity – from its output in favour of value-added products such as billet, foundry alloy and high-purity ingot. Value-added products accounted for 97.5 per cent of total sales last year.

Dubal was seriously considering processing some metal in Dubai, but was advised by consultants that the uncertainties were great.

Japan buys more Canadian grains

JAPAN EDGED out China and the Soviet Union as Canada's largest buyer of grains for 1988, writes Robert Gibbens in Montreal.

Japanese demand for rapeseed oil soared, while exports to the Soviet Union and China were restricted by the poor wheat crop.

Dairy costs highest

By Bridget Bloom, Agriculture Correspondent

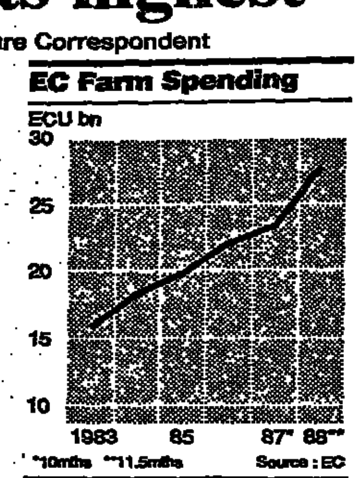
THE LARGEST single slice of the European Community's farm budget still goes on the dairy sector, in spite of the introduction in 1984 of quotas designed to cut milk production and so overall spending.

According to figures for last year, recently published in Brussels, the EC spent Ecu 6.3bn on the dairy sector, marginally down on 1987, out of a total farm budget of Ecu 27.5bn. Some Ecu 5.6bn was spent on cereals and rice, with third and fourth places taken by oilseeds (Ecu 3bn plus 945m for olive oil) and beef and veal (Ecu 2.7bn).

However, total spending was 3.8 per cent below the limit set for it by the summit of EC leaders in February last year, which also agreed the so-called budget stabilisers for each main commodity, most of which came into operation last year.

The overall amount spent on export subsidies (known as export refunds) was also down, largely due to the US drought, which drove up world prices for cereals, thus reducing the amount the EC had to spend to bridge the gap between its own higher prices and the lower world price.

EC Farm Spending



Source: EC

Last year, export subsidies amounted to Ecu 9.9bn against market support of Ecu 17bn. Out of this latter total, storing surplus commodities cost nearly Ecu 6bn.

Export subsidies on dairy produce, amounting to a little more than Ecu 3bn, accounted for 30 per cent of export refunds, compared with just a quarter in 1987. Cereals also accounted for 30 per cent, down four per cent on 1987.

Although export refunds were higher in absolute terms last year, they accounted for 36 per cent of total farm spending against 40 per cent in 1987.

WORLD COMMODITIES PRICES

LONDON MARKETS

TIN prices fell below $8,000 a tonne on the LME yesterday to contract lows. *The decline began early, with stop-loss orders triggered when three-month metal fell below $8,150 a tonne on heavy influential merchant selling.* The market is now trading at levels last seen on the European free market in mid-February and a retreat to $7,500 a tonne – the price ruling at the start of the year – is expected over the short term. Traders said there was still moderately active consumer business in tin, although the bulk of this appeared to be largely by-passing the LME as many operators still seemed reluctant to change the trading habits of the previous 3½ years. Copper prices closed at the day's lows. Traders said further short-term losses could be seen before the market resumes its recent uptrend.

SPOT MARKETS

		+ or -
Crude oil (per barrel FOB)		+ or -
Dubai	$16.15-6.25w	-.125
Brent Blend	$19.45-9.60q	-.125
W.T.I. (1 pm est)	$20.55-0.60q	-0.20
Oil products		
(NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$205-209	-4
Gas Oil	$182-183	+3
Heavy Fuel Oil	$104-106	
Naphtha	$152-155	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$368.25	+0.75
Silver (per troy oz)♣	512c	
Platinum (per troy oz)	$487.90	+3.15
Palladium (per troy oz)	$137.25	+1.25
Aluminium (free market)	$1915	+40
Copper (US Producer)	135½-141c	
Lead (US Producer)	40.5c	
Nickel (free market)	460c	
Tin (Kuala Lumpur market)	21.50r	-0.11
Tin (New York)	397.5c	-9.0
Zinc (US Prime Western)	80¼c	
Cattle (live weight)†	112.09p	-0.92*
Sheep (dead weight)†‡	154.89p	-7.69*
Pigs (live weight)†	102.71p	-2.25*
London daily sugar (raw)	$335.2v	+2.2
London daily sugar (white)	$366v	
Tate and Lyle export price	£339.5	-1.0
Barley (English feed)	£110	
Maize (US No. 3 yellow)	£124.50	
Wheat (US Dark Northern)	£123.75	
Rubber (spot)♥	58.50p	-0.50
Rubber (Nov)♥	58.75p	-0.50
Rubber (Dec)♥	58.50p	-0.50
Rubber (KL RSS No 1 Nov)	219.5m	
Coconut oil (Philippines)§	$485.0y	+7.5
Palm Oil (Malaysian)§	$325q	
Copra (Philippines)§	$310q	
Soyabeans (US)	£182	
Cotton "A" index	81.5c	-1.0
Wooltops (64s Super)	605p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Jan/Mar. v-Nov/Dec. w-Dec. q-Nov. z-Jan/Feb. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	740	742	748 739
Mar	722	719	726 717
May	732	729	735 729
Jul	746	744	749 745
Sep	763	760	767 762
Dec	786	786	789 784
Mar	809	810	811

Turnover: 4048 (2142) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Oct 17 841.14 (820.93); 10 day average for Oct 18 842.17 (842.88)

US MARKETS

In the metals, gold silver and platinum were higher for most of the day due to *the weak U.S. dollar, reports Drexel* Burnham Lambert. Trading volume was *lighter than previous days. Fund* selling kept copper prices down. Higher copper stocks *also* added pressure. In the softs, sugar gained from trade activity. Commission houses supported the cocoa market while roaster buying firmed coffee. The grains featured a firm soy complex on possible Russian tender business. *Wheat eased due to scattered* profit-taking. Corn trading was dull. In the livestocks, lower pork products weighed on the belly futures. Cattle advanced from increased packer and retail demand. *Live* hogs were slow. Cotton trading was active with heavy switch trading noted. The energy complex rallied early in the day on *news about damaged refineries and* pipelines from the earthquake. Prices fell from liquidation near the close.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	368.7	367.4	368.4	368.4
Nov	370.4	369.2	0	0
Dec	372.4	371.2	373.4	371.8
Feb	376.4	375.2	377.3	376.0
Apr	380.5	379.3	381.4	380.0
Jun	384.7	383.5	385.0	384.5
Aug	388.9	387.6	0	0
Oct	393.1	391.8	0	0
Dec	397.4	396.1	399.0	396.8

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	488.5	485.2	487.5	487.5
Dec	492.5	489.2	0	0
Jan	494.7	491.2	495.5	492.6
Apr	498.5	495.0	499.0	497.5
Jul	502.3	499.0	502.0	502.0
Oct	506.3	503.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	510.5	510.2	511.0	511.0
Nov	512.1	511.9	0	0
Dec	516.0	515.9	519.3	515.5
Jan	518.9	518.7	0	0
Mar	527.3	526.9	530.0	0
May	534.6	534.2	536.0	534.5
Jul	542.1	541.7	0	0
Sep	549.8	549.4	0	0
Dec	561.1	560.7	564.0	562.0
Jan	564.8	564.4	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 17	Oct 16	mnth ago	yr ago
1869.9	1856.6	1880.7	1872.7

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.97	130.16	129.57	134.75
Futures	129.72	129.72	129.66	136.76

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	128.50	129.30	128.30	128.30
Nov	128.45	128.80	0	0
Dec	128.45	129.30	128.10	128.20

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	20.57	20.76	20.91	20.54
Dec	20.31	20.45	20.60	20.26
Jan	20.01	20.13	20.25	19.99
Feb	19.81	19.92	20.02	19.81
Mar	19.66	19.73	19.85	19.65
Apr	19.58	19.57	19.70	19.47
May	19.36	19.41	19.50	19.35
Jun	19.20	19.25	19.36	19.18
Jul	19.05	19.10	19.05	19.05
Aug	19.05	18.98	19.05	19.05

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	6065	6105	6160	6065
Dec	6130	6157	6230	6125
Jan	6075	6112	6170	6070
Feb	5945	5967	6035	5945
Mar	5680	5717	5780	5680
Apr	5450	5482	5525	5450
May	5320	5302	5335	5310
Jul	5165	5130	5165	5165
Aug	5180	5180	5180	5180

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1018	1002	1020	1010
Mar	1029	1013	1031	1019
May	1044	1030	1046	1035
Jul	1060	1044	1056	1051
Dec	1110	1085	1110	1100
Mar	1128	1107	1121	1121

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	71.81	71.16	72.30	71.31
Mar	73.80	73.23	74.30	73.50
May	75.88	75.25	76.10	75.50
Jul	78.00	77.25	77.40	77.40
Sep	79.88	79.25	80.40	80.40
Dec	82.83	81.75	83.00	83.00
Mar	85.50	84.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	14.10	14.14	0	0
Mar	14.27	14.11	14.30	14.07
May	14.04	13.89	14.05	13.84
Jul	13.84	13.68	13.85	13.64
Oct	13.37	13.27	13.37	13.25
Mar	12.60	12.80	12.90	12.90

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	73.45	72.78	73.89	73.15
Mar	74.86	74.32	75.35	74.85
May	75.80	74.95	76.00	75.40
Jul	75.50	76.02	76.00	75.45
Oct	69.90	69.60	70.15	69.60
Dec	68.35	68.50	67.10	68.35
Mar	68.00	67.08	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	129.50	129.20	129.50	128.30
Jan	125.25	125.25	125.75	124.50
Mar	125.70	126.00	125.40	124.80
May	125.80	126.15	125.50	125.60
Jul	126.10	125.85	0	0
Sep	126.40	126.85	0	0
Nov	126.40	126.85	0	0
Mar	126.40	126.85	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	559/6	555/4	560/0	556/2
Jan	570/6	566/0	571/0	566/6
Mar	581/6	578/4	582/0	578/0
May	590/4	587/2	590/4	587/4
Jul	595/4	592/0	596/0	592/4
Aug	593/0	590/4	593/4	592/0
Sep	578/0	573/2	578/0	577/0
Nov	574/0	570/4	574/4	571/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	18.60	18.26	18.60	18.40
Dec	18.91	18.57	18.95	18.70
Jan	19.14	18.82	19.18	18.92
Mar	19.52	19.21	19.60	19.35
May	19.88	19.57	19.95	19.75
Jul	20.20	19.97	20.30	20.13
Aug	20.25	20.00	20.35	20.25
Sep	20.35	20.10	20.40	20.35

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	188.0	188.0	188.2	187.4
Dec	182.3	182.0	182.8	181.5
Jan	180.7	180.4	181.0	180.2
Mar	179.4	179.2	180.0	178.8
May	178.1	177.7	178.5	177.5
Jul	177.2	176.7	177.8	176.5
Aug	176.5	176.0	177.0	176.0
Sep	175.0	174.5	176.5	174.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	238/2	238/6	239/6	237/6
Mar	243/4	243/6	244/4	242/6
May	247/6	247/6	248/4	246/4
Jul	249/6	249/4	250/4	249/0
Sep	241/4	241/6	241/6	240/6
Dec	238/0	238/0	238/4	236/4
Mar	244/6	245/4	244/6	244/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	406/2	409/4	409/4	404/4
Mar	406/2	407/4	407/2	405/0
May	386/4	386/4	386/6	384/4
Jul	357/6	356/2	358/0	356/2
Sep	362/4	359/4	363/0	361/0
Dec	376/4	373/0	377/0	372/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	74.62	73.67	74.85	73.75
Dec	75.47	75.10	75.50	75.05
Feb	74.80	74.75	74.85	74.55
Apr	74.87	74.82	74.90	74.70
Jun	71.85	72.07	72.10	71.80
Aug	70.32	70.35	70.50	70.30

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	48.72	48.00	48.75	48.05
Dec	46.80	46.12	46.80	46.15
Feb	45.75	45.60	45.95	45.50
Apr	42.87	43.00	43.27	42.75
Jun	47.42	47.55	47.60	47.30
Jul	47.80	47.70	47.90	47.60
Aug	46.70	46.85	46.80	0
Oct	42.80	42.95	42.97	42.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	51.72	52.52	52.50	51.62
Mar	51.52	52.15	52.30	51.40
May	51.62	52.25	52.25	51.40
Jul	51.30	51.97	52.26	51.25
Aug	49.45	49.90	50.10	49.45

LONDON STOCK EXCHANGE

Shortage of stock prompts late rally

THE reverberations of Monday's setback continued to resound through the UK equity market yesterday although with slightly more positive results, at least for market indices. A shortage of stock in the blue chip shares helped to inspire a late upswing in prices which left the Footsie with a gain of nearly 35 points to offset the 98.4 point loss on the two previous sessions.

However, traders took care not to applaud too loudly. Equities were thinly traded for most of the day and the stock futures market continued to set the pace. Investment sentiment was still focussed across the Atlantic, with the Californian earthquake providing new cause for concern ahead of Wall Street's opening. Insurance stocks, shaken at first by the implications of the San Francisco tragedy, steadied later, while insurance broker stocks advanced as analysts assessed the prospects of higher premiums.

Account Dealing Dates		
First Dealings: Oct 2	Oct 16	Oct 30
Option Declarations: Oct 12	Oct 26	Nov 9
Last Dealings: Oct 13	Oct 27	Nov 10
Account Day: Oct 23	Nov 6	Nov 20

New time dealings may take place from 8.00 am two business days earlier.

London traders regarded Wall Street's overnight fall of 18 Dow points as "manageable," and shares opened firmly. Gains were lost, however, as BAT Industries, owner of Farmers, the Californian insurer, and other leading insurance stocks, turned down. Later, concerns over earthquake claims switched to the West German insurer, Allianz.

Led by a swing from a discount to a premium of around 16 points on the FT-SE December futures contract, equities moved ahead and were showing a net gain of 15 points at mid-afternoon when London braced itself for the Wall Street opening.

With New York firm but unexciting in early deals, London appeared set for a quiet close. However, the final two hours of trading brought a strong rise in the market, when one market maker apparently took on a buy programme and was promptly savaged by his competitors who had sensed his need for stock.

The FT-SE Index ended the day a net 34.6 up at 2,170.1. The late rally brought out many of the market's speculative favourites which had been relegated to the sidelines when the US problems with the UAL bid upended the takeover market. Seaq volume, which barely exceeded 300m shares at 3.15pm yesterday, had jumped to 450.5m by the close, compared with 569.2m on Tuesday.

Yesterday's squeeze on market positions derives from Monday's switchback performance, according to dealers. On Monday afternoon the Footsie was 185 points down when UK investors, both market makers and major institutions, sensing that Wall Street might open better than anticipated, bought heavily into the blue chip stocks. Those who judged the market correctly on Monday made significant profits — and left London market makers very short of stock, a situation which lay behind yesterday's share squeeze.

FINANCIAL TIMES STOCK INDICES

	Oct 18	Oct 17	Oct 16	Oct 13	Oct 12	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.66	84.78	85.27	83.79	83.87	89.37	89.29 (8/2)	83.75 (14/8)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.40	93.37	93.77	94.08	93.89	97.82	99.59 (15/3)	93.37 (17/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1758.5	1730.7	1760.3	1815.0	1817.7	1513.2	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	*190.8*	*192.5*	184.9	*204.7*	204.8	174.9	215.2 (28/9)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2170.1	2135.5	2163.4	2233.9	2237.8	1862.5	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.66	4.72	4.65	4.51	4.50	4.57				
Earning Yld %(full)	11.22	11.35	11.18	10.86	10.83	11.52				
P/E Ratio(Net)(☆)	10.76	10.64	10.78	11.11	11.13	10.52				
SEAQ Bargains(5pm)	22,524	39,523	57,410	26,312	23,431	26,195				
Equity Turnover(£m)†	-	1329.96	1767.67	963.70	832.21	1393.78				
Equity Bargains†	-	44,468	40,916	25,515	24,313	28,163				
Shares Traded (ml)†	-	583.2	680.5	413.9	385.1	519.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.68

Ordinary Share Index, Hourly changes — Day's High 1758.5 — Day's Low 1731.6

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1739.7	1732.1	1738.5	1743.7	1739.5	1738.8	1740.1	1749.6

FT-SE, Hourly changes — Day's High 2170.1 — Day's Low 2134.2

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2149.5	2138.2	2147.6	2153.4	2148.4	2145.2	2146.9	2159.3

GILT EDGED ACTIVITY

Indices*	Oct 17	Oct 16
Gilt Edged Bargains	115.0	150.9
5—Day average	104.5	101.4

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	4,200	143	+6	Courtaulds	3,200	336	+3	LASMO	89	499	+4½	Saatchi & Saatchi	874	313	+15
Abbey National	1,100	244	+2	Dalgety	88	369	+8	Laporte	2,200	248	+4	Sainsbury	2,100	251	+5
Allied-Lyons	1,800	483	+8	Dixons	5,200	104	-2	Lucas	174	602	+3	Scott & Newcastle	506	364	+5
Amstrad	6,000	49	+2	Eng. China Clays	440	461	+5	MB Group	1,000	179	+9	Sears	1,700	184	+4
Argyll Group	1,900	221	+3	Enterprise Oil	197	579	+4½	MEPC	135	409	+4	Sedgwick	2,600	259	+18
Ass. Brit. Foods	150	386	+2	Fisons	1,800	320	+8	Marks & Spencer	2,100	186	+3½	Shell Transport	7,900	438	+9

[illegible]

Earthquake focus on insurers

The insurance sectors moved sharply into focus as the market assessed the implications of the San Francisco earthquake. Initial, and clearly provisional, estimates that the damage caused by the earthquake may be in the region of $1bn and could, on a worse case scenario even run to $5bn, caused a tremor throughout the composite insurers and impacted heavily on the insurance brokers.

Prudential, the *life group*, entered into the equation by virtue of its ownership of Mercantile & General, the largest non-Lloyds reinsurance group.

Composites were marked down sharply at the outset, but the initial weakness proved temporary as insurance analysts pointed to the high levels of reinsurance covering the composites. A recovery by the composites left them with modest gains across the board.

Mr Andrew Goodwin at UBS Phillips & Drew thought the damage bill would come out at between $1bn to $2bn, compared with the estimated $4bn worth of havoc caused by Hurricane Hugo some weeks ago. He estimated that the earthquake could cost **Royal Insurance** *£25m*, **General Accident** £12m, *Guardian Royal* £5m and Sun Alliance £10m. "It won't be as bad as Hugo because many Californians won't have bought earthquake cover," said Mr Goodwin.

At the close, Royals responding to what dealers said was aggressive US buying, closed 12 up at 450p after an initial 422p on turnover of 6.9m, while General Accident were 10 higher at 1003p, after 975p, on 1.3m, Guardian Royal were 5 firmer at 217p, after 206p, on 4.3m and Sun Alliance 3 better at 290p, after 288p, on 2.4m.

BAT Industries, which owns Farmers, the big Californian insurance group, slumped to 723p before the realisation that the company has reinsurance cover for most of its exposure saw the share price back up to a close of 756p, a net gain of 5p. Turnover in BATs was 5.3m.

Prudential dropped to 182p before closing 2 cheaper at *184½p on 6.2m shares.*

Brokers advance

Insurance brokers were among the market's best performing *sectors on the view* that San Francisco earthquake claims may lead to an increase in non-marine insurance rates in London.

Ms Julianne Jessup at BZW said: "Even if it does not precipitate an immediate upturn in non-marine rates, coming on the heels of Hurricane Hugo it will almost certainly mean that the market will stabilise and *begin to firm much earlier* than it might otherwise have done." She added that "this is good news for the quoted brokers, particularly **Willis Faber**, **Sedgwick** and **Steel Burrill Jones**."

Willis Faber shares raced up 23 to 245p while Sedgwick jumped 18 to 259p. CE Heath closed 21 higher at 478p, Steel Burrill Jones 12 firmer at 228p *and Lloyd Thompson* and **Hogg Robinson Gardner Mountain** 14 better apiece at 224p and 143p respectively.

Dixons slide

Gloom continued to shroud **Dixons**, which fell sharply for the second day running. The immediate cause was a profits downgrading from Kleinwort Benson. Mr Paul Smiddy, Kleinwort's retail analyst, cut his figure for next year's profits from £50m to £35m. "About 20 per cent of that will come from property development," he added.

He said he would be happier if the price were 90p and that a bid was unlikely in the short term. "Any sensible bidder can bide his time and get it cheaper."

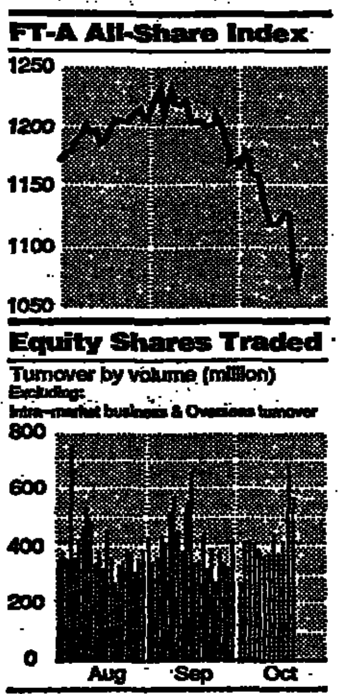
The shares dropped quickly below £1 (they were trading at 120½p on Friday) before rebounding with the market. *They eventually finished* 2 down on balance at 104p. Turnover was good at 5.2m shares.

Hanson were almost left behind in the market rally adding its only halfpenny, to 211½p, in the last few minutes of trade. Dealers explained that a US seller kept them supplied with stock.

Volume swelled to 19m shares and Hanson was also busy on the traded options market. Some 1,484 contracts were exchanged there, equivalent to almost 1½m shares and making it the second most active contract of the day.

A 24 per cent improvement in full year profits from **Beazer** did not inspire the market. The shares slipped a penny to 138p as news that brokers were *trimming profit forecasts* filtered into the market.

The oils performed well and again featured **Shell** which advanced a further 9 to 438p. The shares were boosted by *further switching into the* stock from Royal Dutch. BP, where turnover remained high at 9.4m shares, added 5½ at 297½p.



Burmah were 10 higher at 629p but on much reduced turnover. Calor rose 9 to 483p. **Ultramar**, which owns the Wilmington refinery in Los Angeles, moved up 7 more to 329p on 1.8m *as specialists took* the view that US West Coast oil product prices and refining margins may jump on initial fears of damage to Californian pipelines which could lead to *shortages*.

Pilkington was one of only four FT-SE 100 stocks to close lower. It was depressed by institutional selling soon after the market opened with most of the sales executed by a single marketmaker at 204p and 205p.

The widespread shortage of stock meant that the Pilkington shares were easily digested by the market and the price soon stabilised at around 205p. Pilkington closed down 1 at 206p, having traded 4.5m shares.

Hawker Siddeley moved up firmly as the company posted interim results in line with expectations. The company reported pre-tax profits of £90.2m, up from £80.8m.

Mr Chris Avery, analyst at Citicorp Scrimgeour Vickers, said: "A nervous market was quite pleased with the Hawker Siddeley results." The shares closed up 10 at 659p.

A strike ballot by engineering unions at **British Aerospace** in support of a 35 hour working did no harm to the shares. They rose steadily to 572p, a net gain of 21. An analyst said there had been "delayed appreciation" of BAe's creation of the joint venture with *Thomson-CSF, the* French group, announced on Monday.

Siebe bounced on the news that Warburg Securities had upgraded the company's full year profits expectations. Warburg now expects profits in the year to March 1990 to reach £175m, having earlier predicted £172.5m. Warburg also upgraded expectations for 1991, from £185m to £190m.

Mr Ewan Cameron-Watt, analyst at Warburgs, said: "The company can expand quite significantly in Europe and Japan especially in the areas of controls without the necessity of a major acquisition. In addition the company is gaining market share in the US and *turnover is offsetting* particular weakness in margins."

Analysts also expect Siebe to gain from currency transactions, and from overseas earnings. The company is said to be sitting on a mountain of cash in the UK, with borrowings abroad. Shares closed at 506p, a gain on the day of 15.

In motors, **Jaguar** closed firmly at 673p, a gain on the *day of 19 on the lowest volume* of a hitherto busy week. Only 1.9m shares were traded with Ford Motor, which now has a 10.4 per cent stake in Jaguar, suspected as being the main buyer.

Lucas edged up 3 to close at 602p as the company announced that it had bought the US company Cirtek, a designer and maker of automotive electronics.

Activity in the electronics and telecoms leaders was much reduced. **Amstrad**, where turnover was 6m, edged up 2 to 49p on further consideration of the company buying in its own shares. Takeover speculation again centred on **Unitech**, which jumped 12 more to 356p. The agreed £12m-plus bid for ITL from Apricot saw ITL shares advance 13 to 38p.

Food manufacturing shares moved ahead cautiously, although Unilever did have a late spurt helped by a shortage of stock and scattered talk of US arbitrage buying. The shares closed up 17 at 842p. **United Biscuits** held above what dealers and analysts described as a support point at *340p, despite an initial loss of confidence* after food analysts at BZW downgraded late on Tuesday. UB closed up 5 at 346p.

Meat Trade Suppliers *fell sharply on this volume as it* resumed trading after suspension. Dealers said news that MTS's extraordinary meeting on Tuesday had decided not to *approve the reverse takeover* by Alpha Gamma, the property developer, prompted the decline. MTS closed down 75 at 365p.

Elsewhere, dealers said a lack of stock *and absence of* institutional selling pushed prices gently *higher*. **Cadbury Schweppes** closed up 5 at 363p, while **Dalgety** advanced 8 to 369p and **Ranks Hovis McDougall** *gained 4 to 414p*. Confirmation that Whitbread is to sell off its spirits and North American wines business was greeted warmly by analysts but coolly by investors.

Mr Mike McCarthy, brewing analyst at Smith New Court, said the move was "very good news. It leaves Whitbread to concentrate especially on retailing." He said earnings per share would be 10 per cent better, and with the shares trading at 7½ times earnings, they were cheap. He raised his profit forecast for next year from from £278m to £307m.

But the shares remained unmoved by such talk, or by the market rally. They closed unchanged at 363p, partly because of profit-taking after the late run on Tuesday, and partly because of some reported switching into Bass. The latter improved 12 to 978p.

A presentation to institutions in Scotland on *Scottish & Newcastle dampened* recent volatility in the shares which had arisen from speculation over the likely destination *of Elders'* 23.6 per cent stake in the company. Scottish firmed gently to 364p, up 5 on the day.

Kingfisher continued to benefit from the detailed presentation to investors at Warburg Securities, the UK investment house, on Tuesday. The shares firmed 8 to 281p.

WH Smith resisted the upward trend, closing unchanged at 312p, the price at which, dealers said, there was an attempt to place a block of shares.

A 14 per cent profit improvement at the interim stage from womens' fashionwear supplier **House of Lerose** helped the shares add 4 at 162p.

News that **EMAP**, the publishing and communications group, had formed its first European partnership helped the shares climb 6 to 218p. US buying of **Maxwell Communications**, in the wake of its debt reducing plan of floating 45 per cent of Berlitz International and selling Maxwell Graphics, pushed the price 7 better to 203p.

A recovery from recent falls in the wake of gloomy prospects for advertising volumes combined with a shortage of stock to boost agencies. **Saatchi & Saatchi** added 15 at 313p while **WPP** firmed 11 to 645p. Normally quiet second liners also benefited, with **FKB** 19 better at 256p and **Lowe Howard** up 13 at 386p; a single small buy order for the latter was enough to cause the squeeze.

Building issues attracted keen support. There were some large trades reported in **BPB**, notably a single deal of 1m shares and another of 750,000, which moved up 6 to 225p, amid revived speculation of stake-building.

Taylor Woodrow jumped 7 to *265p*, **RMC** *14 to 822p and* **Tarmac** 8 to 245p.

Merchant banks showed Morgan Grenfell up a further 14 to 406p; "the bid stories just won't go away, nor will the buyers," said one dealer. Kleinwort Benson and SG Warburg jumped the same amount to 351p and 414p respectively.

An active session in the clearing banks saw the big four drop sharply at the outset after a broker downgraded Midland and indicated that downgradings of the others might follow.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 23

NEW HIGHS AND LOWS FOR 1989

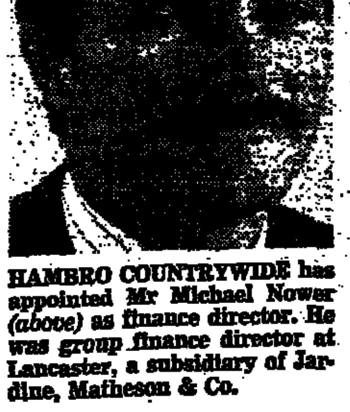
NEW HIGHS (4).
BREWERS (1) Macallan-Glenlivet, TRUSTS (3) Aitken Hume, Baillie Gifford Japan, Habula.
NEW LOWS (16).
CANADIANS (1) Varity, CHEMICALS (2) Hoechst, Wardsworth Intl., STORES (2) Dixons, Do. Rd. Pf., INDUSTRIALS (3) Darby Grp., Smiths Industries, Le Bon, PAPERS (1) Geo-Gould, TRANSPORT (3) Davies & Newman, Ocean Wonder, Saatchi, TRUSTS (1) Stores by Type Ls., MINES (1) Free State Dev., THIRD MARKET (1) Blackland Oil, LUW, Unit Group.

APPOINTMENTS

Jardines makes changes

■ Mr Robin Singer has been appointed chairman of Jardine Insurance Brokers, UK retail broking operation of the JARDINES GROUP. He continues as a member of both the group's holding and Asian boards, and as a director of the business development team. He succeeds Mr David Knechtli, chairman of Jardine Insurance Brokers International, who has been appointed chairman of JMIB Holdings, the company set up to develop the group's interests in mainland Europe.

Jardine Insurance Brokers Group director Mr Martin Wakely is to assume overall responsibility for retail operations in Asia, in addition to his post as chief executive of the group's retail broking companies in the UK and Ireland. Mr David Batchelor, managing director of Jardine Insurance Brokers in Hong Kong, becomes chief executive officer of retail operations in Asia.



HAMBRO COUNTRYWIDE has appointed Mr Michael Nower (*above*) as finance director. He was group finance director at Lancaster, a subsidiary of Jardine, Matheson & Co.

■ Mr Philip Mitchenall has become managing director of SECURICOR COMMUNICATIONS. For the past five years he has been general manager at Racal Vodac.

■ SF, an agricultural group, has appointed Mr James Milne as managing director. He was managing director of subsidiary Alpha Fuels.

■ JCT CONTROLS has restructured. Mr Angus S.J. Fraser has been appointed chairman. He is a non-executive director of Chloride Group, and a director of International Dynamics. Mr John F. Houlston becomes technical director, and Mr Graham E. Benton sales and marketing director.

■ Mr Stephen Dearing has been appointed managing director of FOXWELL DESIGN & CONTRACTS. He was contracts director.

■ Mr Pat Jackson has assumed responsibility for the RUGBY GROUP'S cement interests in Australia in addition to his post as chief executive of the UK cement division. He succeeds Mr A.H. Teare as chairman of Cockburn Cement in Australia. Mr Teare continues as a director. Mr P.J. Scannell, group financial controller, succeeds Mr B. Hardcastle, group finance director, as a director of Cockburn.

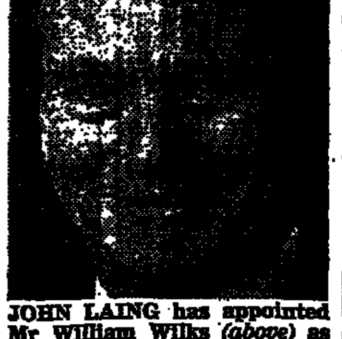
■ COLORGRAPHIC has appointed Mr Ian Sanderson as group financial controller. He was chief accountant at Colorgraphic Printers.

■ Mr Brian Eadie, sales manager, has been promoted to sales director of financial systems house THE SOFTWARE PARTNERSHIP.

■ LEGAL & GENERAL GROUP has promoted Mr Andrew Palmer to finance director of Legal & General Investments. He was deputy finance director.

■ Mr Leslie Bland, chief executive of Century Factors, has been elected chairman of the ASSOCIATION OF BRITISH FACTORS.

■ UNITED BISCUITS (HOLDINGS) has appointed Mr Brian Chadbourne as managing director at McVitie's. He is succeeded as managing director of Terry's Group by Mr Brian Cardy who was deputy managing director.



JOHN LAING has appointed Mr William Wilks (*above*) as group finance director. He was with Reed International, where he was *commercial* director, UK publishing.

■ Mr Ian Collins has been appointed chief executive of the European wallcoverings operation of BORDEN INC, US. He was managing director of Antler, and will succeed Mr Fred Lewis who retires in the new year.

■ Mr Hugh Jenkins becomes chief executive of Prudential Portfolio Managers (PPM) and a director of PRUDENTIAL CORPORATION on November 1. He is chairman of Allied Dunbar Asset Management, and Dunbar Bank, and a director of Allied Dunbar Assurance. He succeeds Mr Michael Newmarch, current chief executive of PPM, who becomes group chief executive, Prudential Corporation, in April 1990.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	55.38	55.38	59.23	-0.23	4.63
Gilts & Fixed Int	6	108.7	108.7xd	115.2	----	8.68
High Inc Equity	6	124.6	124.6xd	133.3	-0.8	4.78
Worldwide Bond	6	205.5	205.5	217.7	-1.8	4.76
Capital Growth						
American Growth	6	199.0	201.0	213.9	-0.8	0.89
Asian Pacific	6	112.1	114.3	121.6	-1.5	1.07
Assets & Earnings	6	148.0	148.0	158.3	-0.9	2.34
Capital Reserve Acc	0	87.38	87.38	87.41	-0.01	4.58
Capital Reserve Inc	0	77.57	77.57	77.59	-0.91	5.16
Comdty & Energy	6	106.1	106.1xd	113.5	-1.2	1.67
1992 Enterprise	6	56.80	56.80	60.75	+0.08	2.11
Euro Capital Acc	6	94.39	95.03	101.1	+1.81	0.74
Euro Capital Inc	6	91.01	91.71	97.57	+1.83	0.77
General	6	166.4	166.4	178.0	-1.4	2.81
International	6	53.70	54.52	58.0	-0.50	0.86
Japan	6	121.2	122.2xd	130.0	-0.2	0.00
Mastertrust	6	89.12	89.12	95.32	-0.11	1.78
UK Growth Acc	6	176.2	176.2xd	188.5	+0.2	1.49
UK Growth Dist	6	116.3	116.3xd	124.4	+0.1	2.25
US Emerging Cos	6	54.09	55.74xd	59.30	+0.16	0.00
Income & Growth	6	283.6	283.6	303.4	-3.3	3.38
Ethical	6	44.40	44.40	47.49	+0.16	2.11
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	32.99	32.99	35.22	-0.09	2.83
European	5¼	72.90	73.15	78.09	+2.3	0.00
European Income	5¼	70.68	70.68	75.45	+2.06	2.45
Exempt	1	734.8	734.8xd	764.2	+2.0	1.99
Extra Income	5¼	41.14	41.14xd	43.92	-0.38	4.72
F East Emerg Econs	5¼	54.96	54.96	58.86	-2.95	0.32
Fund Inv Tst	5	122.4	124.3xd	132.7	-0.9	2.00
Do Accum	5	190.5	193.5xd	206.6	-1.5	2.02
Gilt & Fixed Int	5¼	20.75	21.53xd	22.98	+0.04	10.45
Income & Growth	5¼	65.77	65.77xd	70.20	-0.61	4.17
Intl Income	5¼	63.04	63.04xd	67.30	-1.27	4.99
Japan	5¼	212.4	212.4	226.8	-1.1	0.00
Pacific	5¼	414.0	414.0	442.6	-17.4	0.27
Secure Income	5	183.7	183.7xd	196.1	-1.5	6.18
Smaller Companies	5¼	53.42	53.42xd	57.03	+0.35	2.39
Special Situations	5¼	65.04	65.04xd	69.43	+0.36	1.22
UK Growth	5¼	35.17	35.17xd	37.55	-0.32	2.34
World Growth	5¼	53.25	53.25	56.84	-0.34	0.08
Acorn Unit Trust Managers Ltd (1100)F						
1 White Hart Yd, London Bridge SE1 1NX 01-407 5966						
Ethical Tst	5	106.4	111.0	116.6	+0.7	2.56
Do Accum	5	108.5	113.2	118.9	+0.7	2.56
Aegis Unit Tst Mngmt Ltd (1400)F						
94 Whiteladies Rd, Bristol, BS8 1QX 0272 237593						
Intl Growth	6	49.54	50.32	53.53	(z)	1.50
Managed Income ♦	3	50.40	50.40	51.92	(z)	5.00
CAMco Intl Recovery	5	47.47	49.00	51.98	(z)	1.69
Clifton Prem Perf	6	51.31	52.31	55.65	(z)	1.60
Global Sector P'folio ♦	6	47.89	48.38	51.47	(z)	3.00
IPS Income & Gwth	6	51.72	52.56	55.91	(z)	5.00
St Nicholas St Gth Inc	5	44.02	44.83	47.95	(z)	4.70

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	5	15.20	15.30	16.27	-0.88	0.00
Pacific Basin	5	29.72	29.72	31.61	-0.59	0.60
Can Balanced Gwth	5	50.55	50.55	53.77	-0.18	0.10
Giants Mine	4	0.9715	0.9715	1.0119	[illegible]	7.50
Penny Share	5¼	27.14	27.14	28.87	-0.09	0.50
Wellington Fund Mngs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	130.5	132.9xd	140.4	+0.9	5.26
Wellington Growth	5¼	214.6	216.6xd	230.4	+4.3	1.38
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth	4½	104.6	106.5	113.0	-0.3	3.09
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 5132						
Challenger	2½	60.08	60.08	61.62	+0.06	0.27
Short Dat Gilt	1¼	81.33	81.33	82.36	+0.05	6.89
U.S. Govmt Bond	1¼	5.5729	.5729	.5803	[illegible]	0.00
Willfire Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7511						
Aust Friars W'wide	5	187.7	190.7	202.8	-18.7	2.60
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	57.72	61.13	65.02	+0.86	7.29
European	5	73.83	73.31	77.99	-0.74	0.10
Far Eastern	5	64.16	66.13	70.35	-1.85	0.63
Growth Inc	5	75.18	78.79xd	83.82	+0.6	1.61
Growth Acc	5	75.29	78.86xd	83.89	+0.4	1.61
Income Inc	5	73.12	75.62xd	80.45	+0.32	5.28
Income Acc	5	73.22	75.73xd	80.55	+0.31	5.27
Property Share	5	47.02	47.02	50.11	+0.48	1.13
Smaller Co's	5	47.71	47.71xd	50.86	+0.86	1.87
Nth American	5	63.62	63.96	68.41	-0.97	1.61
International	5	48.21	48.21	51.35	-0.42	1.45
Wright Seligman Fund Mngs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Int'l Growth	5	109.58	109.58	115.05	-1.82	4.08
UK Growth	5	90.02	90.02	94.74	-1.92	3.17
UK Income	5	93.33	93.33	98.24	-1.83	4.58
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1300)F						

	Bid Price	Offer Price	+ or −	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Int'l Fxd Int Fd Acc(z)	209.9	220.9	(z)	—
Fixed Int. Acc(z)	346.9	364.5	(z)	—
Gtd Money Fd Acc(z)	241.1	253.8	(z)	—
High Income Fd Acc(z)	112.6	118.4	(z)	—
Intl Man Fd Acc(z)	419.5	441.4	(z)	—
Japan Fd(z)	308.7	324.9	(z)	—
UK Smllr Co's Fd Acc(z)	103.9	109.3	(z)	—
Europlus Metro	117.5	123.6	(z)	—
Global Metro	106.0	111.5	(z)	—
Sunrise Metro	122.2	128.5	(z)	—
UK Metro	105.3	110.8	(z)	—
Nth American Fd Acc(z)	207.8	218.7	(z)	—
Pac Basin Fd Acc(z)	160.2	168.6	(z)	—
Prop Fd Acc(z)	352.9	371.0	(z)	—
MGlomulum	93.7	98.6	(z)	—
Multiple Inv Acc(z)	705.4	742.5	(z)	—
Pension Funds				
Brit Blue Chip Acc(z)	146.9	154.6	(z)	—
Eq Pen Fd Acc(z)	1919.3	2020.1	(z)	—
Euro Fd Acc(z)	348.0	366.3	(z)	—
Fixed Int. Acc (z)	717.2	754.9	(z)	—
Gt Money Pn Acc(z)	441.1	464.3	(z)	—
High Interest	149.5	157.3	(z)	—
High Income Fd Acc(z)	117.8	124.0	(z)	—
Intl Man Fd(z)	640.6	674.2	(z)	—
Jap Pen Fd Acc(z)	439.8	462.9	(z)	—
UK Smllr Co's Fd Acc(z)	107.5	113.1	(z)	—
Europlus Metro	129.0	135.8	(z)	—
Global Metro	111.4	117.3	(z)	—
Sunrise Metro	136.0	143.1	(z)	—
UK Metro	110.5	116.3	(z)	—
N Am Pn Fd Acc(z)	259.5	273.1	(z)	—
Pac Basin Fd Acc(z)	191.2	201.3	(z)	—
Property(z)	624.6	657.4	(z)	—
Mtple Inv Pens Acc(z)	1425.3	1500.2	(z)	—
Broker Funds				
Prof. Pen. Fd	94.9	99.8	(z)	—
YRA Strategy	123.6	130.1	(z)	—
YRA Performance	107.1	112.7	(z)	—
Laughton Dollar (SE)	138.0	145.3	(z)	—
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	268.0	282.2	+0.1	—
Equity Acc	845.5	890.0	+1.4	—

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Refuge Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Insurance Life Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

University Medical General Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100	98⅝	Exch 10¼pcCv '89	100xd	.....	–	–
101	99½	Treas 13pc 1990‡‡	99⅝	–⅛	13.05	13.91
132	124	Treas 2pc IL '90(84.6)	132	.....	2.09	9.98
99	98	Exch 11pc 1990‡‡	99	–⅛	11.10	13.66
101	99¼	Exch. 12½pc 1990	99	.....	12.58	13.98
95¼	91⅞	Treas. 3pc 1990	95¼xd	+⅛	3.13	11.11
97⅞	95⅝	Treas 8¼pc 1987–90‡‡	96	+⅛	8.52	13.34
98	95¼	Treas. 8pc Cv 1990 ‡‡	96⅝	.....	8.30	13.30
98	96	Treas. 10pcCv 1990	96xd	.....	10.30	13.29
93	87	Exch 2½pc 1990	92½xd	.....	2.70	9.78
101	98	Treas 11¾pc 1991	98	.....	11.92	12.97
93¼	89⅝	Funding 5¾pc '87–91‡‡	92⅝	+⅛	6.21	11.43
90⅞	86	Treas. 3pc 1991	90xd	–⅛	3.33	10.03
100	95½	Treas 10pc Cv '91 ‡‡	96¼	+⅛	10.39	12.43
101	96	Exch. 11pc 1991	97 xd	+⅛	11.28	12.41
94	91	Treas. 8pc 1991	91	+⅛	8.71	12.40
106	100	Treas 12¾pc 1992‡‡	101	.....	12.53	11.80
99½	95	Treas 10pc 1992	96¼	.....	10.39	11.86
94	90	Treas. 8pc 1992 ‡‡	91¾	.....	8.71	11.86
100¼	96	Treas 10½pc Cv 1992‡‡	97½xd	–⅛	10.77	11.69
85⅝	82¼	Treas. 3pc 1992	84⅛	.....	3.57	10.06
105	100¼	Exch. 12¼pc '92	101	–⅛	12.09	11.66
109¾	103	Exch 13½pc 1992	104	–⅛	12.89	11.53
94	90	Treas 8¾pc 1993	91	–⅛	9.03	11.39
100	95	Treas 10pc 1993‡‡	96	–⅛	10.37	11.25
108	102	Treas 12½pc 1993‡‡	103	–⅛	12.06	11.24
88	84	Funding 6pc 1993‡‡	86	+⅛	7.00	10.53
113¾	107	Treas 13¾pc 1993‡‡	108xd	–⅛	12.68	11.14
94¼	89¼	Treas. 8½pc 1994	91	–⅛	9.33	11.14
117	111	Treas 14½pc 1994‡‡	112	–⅛	12.94	10.94
113	107	Exch 13½pc 1994	108xd	–⅛	12.46	11.11
100⅝	95	Treas. 10pc Ln. 1994‡‡	96½	–⅛	10.36	10.97
110¼	104	Exch. 12½pc 1994	105	–⅛	11.90	11.10

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
96	91¼	Treas 9pc 1994‡‡	92xd	.....	9.69	10.87
108	102	Treas 12pc 1995	103	–⅛	11.57	11.03
79⅝	72	Exch 3pc Gas 90–95	75xd	.....	4.00	8.80
101	95¼	Exch. 10¼pc 1995	97	–⅛	10.56	10.93
113	107¼	Treas 12¾pc 1995‡‡	108½xd	–⅛	11.75	10.81
119	112	Treas. 14pc '96	113¼	–⅛	12.38	11.01
97½	91	Treas. 9pc 1992–96‡‡	92	.....	9.74	10.66
126	119	Treas 15¼pc 1996‡‡	120xd	+⅛	12.68	10.85
117	110	Exch 13¼pc 1996‡‡	111xd	.....	11.92	10.83
101	94	Conversion 10pc 1996	96½xd	–⅛	10.36	10.71
118½	110¼	Treas 13¼pc 1997‡‡	111	–⅛	11.84	10.82
104	97½	Exch 10½pc 1997	98	–⅛	10.63	10.73
95	88¼	Treas 8¾pc 1997‡‡	90	–⅛	9.64	10.49
128⅝	120	Exch 15pc 1997	121½xd	–⅛	12.37	10.94
100	93	Exch. 9¾pc 1998	95¼	–⅛	10.22	10.59
84⅞	78⅝	Treas 6¾pc 1995–98‡‡	80xd	+⅛	8.35	10.16
134	125	Treas. 15½pc '98‡‡	126	–⅛	12.22	10.74
113	105¼	Exch. 12pc 1998	107xd	–⅛	11.17	10.70
100¼	93	Treas 9½pc 1999‡‡	95	–⅛	9.99	10.31
115	107½	Exch. 12¼pc 1999	109¼	–⅛	11.20	10.65
105	97	Treas. 10½pc 1999	99xd	–⅛	10.52	10.52
104	96½	Conversion 10¼pc 1999	98xd	–⅛	10.41	10.51
94	86	Treas. 8½pc Ln 2000‡‡	89	–⅛	9.56	10.25
97	90	Conversion 9pc 2000‡‡	92	–⅛	9.79	10.27
122	113	Treas. 13pc 2000	114¼	–⅛	11.33	10.65
103	95⅝	Treas 10pc 2001	97¾	–⅛	10.22	10.31
124	115½	Treas. 14pc '98–01	117¼xd	–⅛	11.95	10.88
102	94	Conversion 9¾pc 2001	96	–⅛	10.12	10.29
113	105½	Exch. 12pc '99–02	107	–⅛	11.19	10.72
104	96	Conversion 10pc 2002	98½	–⅛	10.13	10.19
102	94	Treas 9¾pc 2002	97	–⅛	10.05	10.16
97	89	Exch. 9pc 2002	92xd	–⅛	9.77	10.10
126	117	Treas. 13¾pc 2000–03	119¼	–⅛	11.55	10.71
105	97½	Treas 10pc 2003	99½	–⅛	10.03	10.03
113	104	Treas. 11½pc 2001–04	106	–⅛	10.78	10.48
106	97⅝	Treas. 10pc 2004	100xd	–⅛	9.99	9.99
59⅝	55	Funding 3½pc '99–04	56	–⅛	6.19	8.82

Over Fifteen Years

BRITISH FUNDS—Contd

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102	94¼	Conversion 9½pc 2004	96⅝xd	–⅛	9.82	9.91
103	94½	Conversion 9½pc 2005	96	–⅛	9.79	9.88
111¼	102	Exch. 10½pc 2005	104	–⅛	10.01	9.88
125	115	Treas. 12½pc 2003–05	117xd	–⅛	10.59	10.07
90⅞	82⅞	Treas. 8pc 2002–06‡‡	85	–⅛	9.40	9.82
105	97	Conversion 9¾pc 2006	99¼xd	–⅛	9.81	9.83
118	109	Treas. 11¾pc 2003–07	111	–⅛	10.49	10.08
96	87	Treas 8½pc 2007 ‡‡	90	–⅛	9.43	9.67
134⅝	123⅝	Treas. 13½pc '04–08	126	–⅛	10.69	10.01
101	92	Treas. 9pc 2008 ‡‡	94	–⅛	9.50	9.60
92	84	Treas 8pc 2009	86	–⅛	9.27	9.55
102	93	Conv 9pc Ln 2011 ‡‡	95	–⅛	9.44	9.51
68⅞	62	Treas. 5½pc 2008–12‡‡	63	–⅛	8.60	9.34
89⅞	82	Treas. 7¾pc 2012–15‡‡	83	–⅛	9.30	9.49
132	121	Exch. 12pc '13–'17	122	–⅛	9.76	9.54

Undated

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45⅝	41⅛	Consols 4pc	41	–⅛	9.62	–
40	36½	War Loan 3½pc‡‡	36	–⅛	9.49	–
70	60	Conv. 3½pc '61 Aft	62	–⅛	5.57	–
41	31	Treas. 3pc '66 Aft	33	–⅛	9.09	–
30¼	25	Consols 2½pc	26⅛	–⅛	9.57	–
29½	25	Treas. 2½pc	26	–⅛	9.59	–

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
112¼	103	Tr. 2pc '92‡‡(97.8)	110	–⅛	3.02	4.20
105	94	Do. 2 '94 (102.9)	101xd	–⅛	3.18	3.80
155	139⅛	Do. 2pc '96(67.9)	150	–⅛	3.14	3.57
130	118	Do 2½pc '01(78.3)	127	–⅛	3.47	3.74
127	115⅝	Do. 2½pc '03(78.8)	124xd	–⅛	3.54	3.78
131	117	Do. 2pc '06(69.5)	127	–⅛	3.56	3.76
123	110¼	Do. 2½pc '09(78.8)	119xd	–⅛	3.57	3.75
128	114	Do. 2½pc '11(74.6)	124⅛	–⅛	3.55	3.72
106¼	95¼	Do. 2½pc '13(89.2)	103	–⅛	3.54	3.70
115¼	101¼	Do. 2½pc '16(81.6)	111	–⅛	3.49	3.65
112	100	Do. 2½pc '20(83.0)	109	–⅛	3.45	3.59
95	84	Do. 2½pc '24‡‡(97.7)	92	–⅛	3.41	3.53

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1989: 111.8 and for September 1989: 116.6.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108	99½	African Dv Bk 11¼Ln 2010	101	–⅛	10.95	10.92
104	96⅛	Asian Dev Bk 10¼pcLn2009	97	–⅛	10.47	10.50
130	119	Australia 13½pc 2010	121xd	–⅛	11.14	10.89
113	102	Do. 11½pcLn2015	104⅛	–⅛	10.86	10.82
108	99	Euro Inv Bk 11pc Ln 2002	101⅝	–⅛	10.80	10.72
104	95	Do. 10⅜pc2004	97	–⅛	10.62	10.67
119	109	Int-Am Dev Bk 12½pc 2003	110	–⅛	11.27	10.90
99¼	90	Do. 9¾pcLn 2015	93	–⅛	10.48	11.55
97½	91½	Malaysia 10⅛pcLn 2009	93xd	.....	11.56	11.66
120	115	Utd. Mexican States 16½pc 2008	115	.....	14.35	14.20

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102	99½	Birmingham 13½pc 1989	100½	.....	13.43	11.20
111½	102½	Do. 11½pc 2012	103½xd	.....	11.11	11.10
91	85½	GLC 6¾pc 1990–92	87½xd	.....	7.71	13.10
124½	116	Leeds 13½pc 2006	118½	.....	11.39	11.06
33	30	Liverpool 3½pc Irred	30xd	.....	11.67	–
95½	92	LCC 6¾pc '88–90	93½	.....	7.22	13.90
30	26	Do. 3pc '20 Aft	28xd	+2	10.71	–
107½	101½	Manchester 11½pc 2007	102½xd	.....	11.22	11.20

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988–92	88	.....	8.24	12.10
206	206	S Rhod 2½pc Non-Asstd	206	.....	–	–
84½	84½	Do. 4½pc 87–92 Asstd	84½	.....	5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	98	N'wide Anglia 11 pc 6.11.89	99xd	.....	11.83	14.93
100	98	Do. 12pc 4.12.89	99	.....	12.38	15.38
100	99	Do. 12pc 2.1.90	99⅝	.....	12.89	15.23
100	98	Do. 12pc 29.1.90	99	.....	12.68	15.27
100	98¼	Do. 12pc 26.2.90	98	.....	12.82	15.26
100	98	Do. 12⅞pc 19.3.90	99	.....	12.99	15.13
100	99¼	Do. 13⅜pc 23.4.90	99xd	.....	13.48	15.05
100	98	Do. 13pc 14.5.90	99xd	.....	13.12	14.99
100	98⅝	Do. 13pc 4/6/90	99	.....	13.80	14.92
100	99	Do. 14pc 2.7.90	99½	.....	14.38	14.89
100	98	Do. 13⅝pc 23.7.90	99	.....	13.76	14.87
100	98	Do. 13pc 13.8.90	98	.....	13.59	14.82
107	98½	Do. 3⅞pcIL Ln 2021	106xd	.....	4.21	4.30

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
47	43	Met. Wtr. 3pc 'B'	46xd	.....	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass	40	.....	3.50	f8.75
45	40	Do. 6pc 28 Stb. Ass	40xd	.....	3	f7.50
45	40	Do 4pc Mixed Ass	40xd	.....	2	f5.00
80	65	Hung. '24 Ass	80	.....	2.75	f3.57
139	128	Hydro Quebec 15pc 2011	129	–⅛	15.00	11.28
128	118	Iceland 14½pc Ln 2016	121xd	–⅛	14.50	11.81
97¼	91½	Ireland 9¾pc '91–96	92xd	.....	9.75	11.40

AMERICANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
43⅝	26⅛	Abbott Laboratories‡	41xd	–⅛	$1.40	–	2.2
579p	361p	♦Allegheny & W 1c	465p	–10	30c	–	4.1
18⅝	12	Amax $1	15xd	–⅛	80c	–	3.4
11¼	6	Ambase Corp $1	9⅛xd	–⅛	20c	–	1.3
15	807p	Amdahl 5c	815pxd	–35	b10c	–	0.8
37⅞	25½	Amer. Cyanamid $5	31¼	–½	$1.35	–	2.7
25	14	Amer. Express 60c	22⅛xd	–⅛	84c	–	2.3
16¼	854p	Amer. Medical Int. $1	13½	+¼	♦72c	–	3.4
28¼	15¾	American T. & T. $1	26⅝	–⅛	$1.20	–	2.9
41⅝	26	Ameritech $1	40	–⅛	h$2.92	–	4.6
659p	535p	♦Asiamerica Equity‡	547p	.....	–	–	–
22	9⅝	BankAmerica $1	20xd	–⅛	60c	–	1.9
37⅛	19¼	Bankers N.Y. $1	32⅛xd	–⅛	$2.08	–	4.1
66⅝	38½	Bell Atlantic $1	62¼	+⅛	$4.08	–	4.1
35¼	19⅝	BellSouth Corp.	33½	+⅛	$2.52	–	4.8
15⅞	11	♦Bethlehem Steel $8	11⅝xd	–⅛	$1.00	–	5.4
12	868p	♦Bio-Rad Labs. A	10⅞	.....	–	–	–
20¼	15¼	Bowater Inc	16⅝	.....	$1.12	–	4.3
12⅞	9¼	Brunswick 75c	9⅞xd	–⅛	44c	–	2.9
42⅝	28⅜	CPC Intnl. 25c	40	+⅛	$1.80	–	2.8
863p	333p	California Engy	788p	.....	–	–	–
36	17¼	Campbell Soup 15c	29¼xd	–⅛	92c	–	2.0
28⅞	15	Chase Manhattan $12½	24xd	.....	$2.36	–	6.2
26¼	17	Chem. Banking Corpn	22⅞	–⅛	$2.72	–	7.6
17½	13⅞	Chrysler $6¼	14⅝xd	.....	$1.20	–	5.2
22	14	Citicorp $1	20⅛xd	–⅛	$1.62	–	5.1
41⅝	25¼	Colgate-Palmolive $1	38⅛xd	–⅛	s$1.48	–	2.4
17¼	10¼	Cont'l Bank Corp $4	15⅛	–⅛	80c	–	3.3
410p	218p	♦Corporate Data Scnce	315p	.....	–	–	–
27½	21	Dana Corp. $1	22⅛xd	–⅛	$1.60	–	4.5
12	854p	Data General	892p	–24	–	–	–
38⅝	28⅞	Dun & Bradstreet $1	34⅛	–⅛	$2.00	–	3.7
43¼	30½	Eaton Corpn. 50c	37¼	.....	h$2.00	–	3.4
11⅝	8⅞	Echlin Inc	9	–⅛	70c	–	4.8
20⅞	16⅞	FPL Group 1c	20⅝xd	–⅛	$2.28	–	7.0
23	13⅛	Fluor Corp 62½pc	20⅝	–⅛	16c	–	0.5
35¼	27⅝	Ford Motor $1	31⅛xd	–⅛	$3.00	–	6.0
37¼	24¼	Gen. Elect. 63c	35⅛	–⅛	$1.64	–	2.9
579p	460p	♦General Host Corp $1	480p	+5	30c	–	4.0

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS—Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

1989 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
113	60	UPL Group 10p	y	65	......	2.75	1.9	5.6	12.3
150	131	Unit Group	y	131	-1	5.0	3.3	5.1	7.5
100	66	Video Magic Leis. 1p	y	82	+3	W2.0	0.7	3.3	65.7
14	4½	Vista Ents 5p	y	5½	-½	–	–	–	–
40	21	Vizcaya Hldgs 5p	y	25	......	–	–	–	–
46½	23	Whitegate Leisure 20p	y	38½	+1½	–	–	–	–
32½	10	Do. Wrrnts	y	25	+1	–	–	–	–
10¼	5	Wilton Group 1p	y	6	+¼	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ## Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p y	88xd	......	
Craig & Rose £1 y	836	......	
Finlay Pkg. 5p y	67	+1	
Holt (Jos) 25p y	1343xd	......	

IRISH

Cap. 8½% Ln. 1991	£97½	......
9pc Cap Ln. 1996	£99	......
Fin. 13% 97/02	£119	......
Arnotts	400	......
Carrol (P.J.) y	150	......
Hall (R. & H.)	170	......
Heiton Hldgs y	88	......
IRG	225	......
United Drug	135	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	38
Amstrad	11
BAT	88
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	48
Comm Union	32
Courtaulds	30
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	38
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm. A	50
TI	30
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property

Brit Land	32
Land Securities	52
MEPC	58
Randsworth	28

Oils

Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Cons Gold	150
Lonrho	30
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Attention switches to D-Mark

ATTENTION ON the foreign exchanges yesterday turned towards the D-Mark and the European Monetary System as the dollar and sterling appeared to be going through a phase of consolidation after a bout of weakness.

The French franc had a slightly firmer tone against the D-Mark, following comments made on Tuesday by Mr Pierre Beregovoy, French Finance Minister. He told Parliament in Paris that if there is a realignment of the EMS the franc wouldbe revalued in line with the D-Mark. This moved the franc slightly above the group of possible candidates for devaluation - the Italian lira, Danish krone and Belgian franc - but the market fears problems ahead if France pursues this course.

The West German Bundesbank was clearly looking for a revaluation of its currency when raising interest rates on October 5. If France does not allow this to happen, there must be a risk that the Bundesbank will continue to tighten monetary policy and squeeze the economies of its European partners with another rise in rates.

Denmark also appears more willing to increase interest rates again than devalue the krone within the EMS. According to dealers, a rise in domestic rates is becoming increasingly likely. The krone and the Belgian franc remained slightly above the lira, at the bottom of the EMS yesterday. The lira hovered around its cross rate limit against the D-Mark, but at times the Italian currency fell below this point and may have gained some support from the Bank of Italy.

The lira has not been helped by the failure of the Bank of Italy to raise its 13½ per cent discount rate when other central banks followed the Bundesbank's move to increase rates earlier this month. The currency was trading at a seven-month low against the D-Mark yesterday.

The dollar was little changed overall in routine European foreign exchange trading yesterday. A weaker than expected figure on September US housing starts added to generally bearish sentiment created by the poor August trade figures. However, the market continued to watch Wall Street.

A technical support point of DM1.8400 was touched, but the dollar bounced off this level to finish around the middle of the day's range at DM1.8510 compared with DM1.8530 on Tuesday. The US currency rose slightly to Y141.65 from Y141.45 and to SFr1.6260 from SFr1.6235, but eased to FFr6.2950 from FFr6.3000. On Bank of England figures the dollar's index fell to 69.7 from 69.8.

Sterling was firmer, rising against the dollar and D-Mark. Lack of economic news kept the currency on the sidelines, but it finished around its best level of the day against the German unit. Sterling rose 60 points to $1.5885 and climbed to DM2.9450 from DM2.9325; to Y225.00 from Y223.75; to SFr2.5825 from SFr2.5700; and to FFr10.0000 from FFr9.9700. The pound's index rose 0.3 to 89.3.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1240	+1.57	+1.11	±1.5424
Danish Krone	7.85212	7.99352	+1.80	+1.34	±1.6419
German D-Mark	2.05853	2.05177	-0.33	+0.79	±1.1019
French Franc	6.90403	6.97403	+1.01	+0.55	±1.3719
Dutch Guilder	2.31943	2.31641	-0.13	+0.59	±1.5019
Irish Punt	0.768411	0.770876	+0.32	-0.14	±1.6689
Italian Lira	1483.58	1511.66	+1.89	+1.88	±4.0815
Spanish Peseta	133.804	130.826	-2.23	-2.24	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct.18	Latest	Previous Close
£ Spot	1.5870-1.5880	1.5745-1.5755
1 month	0.84-0.83pm	0.89-0.88pm
3 months	2.37-2.34pm	2.47-2.45pm
12 months	8.30-8.20pm	8.50-8.40pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.18	Previous
8.30 am	89.3	89.1
9.00 am	89.3	89.3
10.00 am	89.2	89.1
11.00 am	89.3	89.1
Noon	89.2	89.2
1.00 pm	89.3	89.1
2.00 pm	89.3	89.1
3.00 pm	89.3	89.1
4.00 pm	89.3	89.0

CURRENCY RATES

Oct.18	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	[illegible]	[illegible]
U.S. Dollar	7	1.27038	1.11297
Canadian $	12.46	1.49359	1.30526
Austrian Sch.	6½	16.6993	14.4820
Belgian Franc	10¼	49.4464	43.1240
Danish Krone	9½	9.24201	7.99352
Deutsche Mark	6	2.37040	2.05177
Neth. Guilder	7.00	2.65700	2.31641
French Franc	9½	7.99704	6.97403
Italian Lira	13½	1742.35	1511.66
Japanese Yen	3¼	180.521	156.589
Norway Krone	9	8.83803	7.67538
Spanish Peseta	-	150.770	130.826
Swedish Krona	9	8.22380	7.14144
Swiss Franc	5½	2.07834	1.79760
Greek Drach.	20½	211.519	183.419
Irish Punt	-	0.88338	0.770876

* Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Oct.17

CURRENCY MOVEMENTS

Oct.18	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.3	-21.9
U.S. Dollar	69.7	-8.5
Canadian Dollar	104.8	+1.3
Austrian Schilling	107.9	+10.8
Belgian Franc	102.1	-5.3
Danish Kroner	105.0	-0.1
Deutsche Mark	115.1	+22.4
Swiss Franc	107.2	+16.2
Guilder	111.8	+14.6
French Franc	100.8	-14.4
Lira	98.7	-19.5
Yen	137.7	+68.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Oct.17

OTHER CURRENCIES

Oct.18	£	$
Argentina	1031.85-1047.45	650.00-655.00
Australia	2.0600-2.0625	1.2975-1.2985
Brazil	7.1360-7.2090	4.5080-4.5380
Finland	6.7335-6.7450	4.2530-4.2550
Greece	260.55-265.25	164.75-167.70
Hong Kong	12.3865-12.3995	7.8020-7.8100
Iran	118.90*	71.20*
Korea(Sth)	1050.15-1067.10	668.90-674.10
Kuwait	0.47150-0.47250	0.29820-0.29870
Luxembourg	61.80-61.90	38.90-39.00
Malaysia	4.2645-4.2755	2.6930-2.6950
Mexico	4240.20-4159.50	2608.00-2618.00
N. Zealand	2.6905-2.6965	1.6940-1.6970
Saudi Ar.	5.9285-5.9340	3.7500-3.7510
Singapore	3.1020-3.1075	1.9550-1.9570
S. Af (Cm)	4.1910-4.2050	2.6470-2.6500
S. Af (Fn)	6.1385-6.2665	3.8685-3.9490
Taiwan	40.70-40.80	25.65-25.70
U.A.E.	5.8055-5.8110	3.6720-3.6730

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Oct.18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5790-1.5945	1.5880-1.5890	0.85-0.83cpm	6.35	2.50-2.47pm	6.26
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Belgian rate is for convertible francs. Financial franc 62.00-62.10 Six-month forward dollar 4.57-4.52cpm 12 months 8.45-8.35cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5790-1.5945	1.5880-1.5890	0.85-0.83cpm	6.35	2.50-2.47pm	6.26
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.05-39.10.

EURO-CURRENCY INTEREST RATES

Oct.18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15¼-14⅞	15¼-14⅞	15¼-14⅞	15¼-14⅞	14⅞-14¾	14⅞-14⅝
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8¼-8⅛ per cent; three years 8½-8⅜ per cent; four years 8½-8⅜ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.18	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.589	2.945	225.0	10.00	2.583	3.325	2168	1.846	61.85
$	0.629	1	1.853	141.6	6.293	1.626	2.093	1364	1.173	38.92
DM	0.340	0.540	1	76.40	3.396	0.877	1.129	736.2	0.633	21.00
YEN	4.444	7.062	13.09	1000.	44.44	11.48	14.78	9636	8.284	274.9
F Fr.	1.000	1.589	2.945	225.0	10.	2.583	3.325	2168	1.864	61.86
S Fr.	0.387	0.615	1.140	87.11	3.871	1	1.287	839.3	0.722	23.95
H Fl.	0.301	0.478	0.886	67.67	3.008	0.777	1	652.0	0.561	18.60
Lira	0.461	0.733	1.358	103.8	4.613	1.191	1.534	1000.	0.860	28.53
C $	0.536	0.852	1.580	120.7	5.365	1.386	1.784	1163	1	33.18
B Fr.	1.617	2.569	4.762	363.8	16.17	4.176	5.376	3505	3.014	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

LIFFE £/$ OPTIONS £25,000 (cents per £1)

LIFFE EURODOLLAR OPTIONS $1m points of 100%

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

JAPANESE YEN (IMM) Y12.5m $ per Y100

DEUTSCHE MARK (IMM) DM125,000 $ per DM

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

U.S. TREASURY BILLS (IMM) $1m points of 100%

STANDARD & POORS 500 INDEX $500 times index

SWISS FRANC (IMM) SFr 125,000 $ per SFr

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

US TREASURY BONDS 8% $100,000 32nds of 100%

7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

THREE MONTH STERLING £500,000 points of 100%

THREE MONTH EURODOLLAR $1m points of 100%

THREE MONTH EUROMARK DM 1m points of 100%

FT-SE 100 INDEX £25 per full index point

POUND-$ (FOREIGN EXCHANGE)

IMM-STERLING $ per £

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 93,970

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Frankfurt unmoved

THERE WAS little reaction in Frankfurt to the result of this week's securities repurchase agreement tender held by the West German Bundesbank. Monetary policy will remain tight, according to dealers, and there is no sign of easing despite the recent bout of nervousness on the world's stock markets. The Bundesbank council meets today and is expected to leave credit policies unchanged.

The central bank accepted bids totalling DM22.4bn at the tender, offsetting two expiring pacts of DM21.9bn. Funds of DM15.4bn were supplied via a 28-day agreement, at a fixed rate of 7.3 per cent, with another DM7.0bn through a 56-day pact, at rates of 7.55 to 8.10 per cent. Call money in Frankfurt was unchanged at 7.95 per cent, remaining close to the Lombard emergency financing rate of 8 per cent.

In London interest rates moved up slightly as the fear of a sustained sharp fall in equity prices apparently disappeared Three-month interbank rose to 15$\frac{1}{16}$-14$\frac{15}{16}$ from 15-14⅞ per cent. On Liffe the fading prospects of lower interest rates depressed short sterling; the December contract fell to a low of 85.46 before closing at 85.53 against from 85.60 on Tuesday.

The Bank of England forecast a credit shortage of £700m on the London money market. Total help of £727m was provided. Before lunch the authorities bought £332m bills outright, by way of £70m Treasury bills in band 1 at 14⅞ per cent and £262m bank bills in band 1 at 14⅞ per cent. In the afternoon another £245m bills were purchased, via £168m bank bills in band 1 at 14⅞ per cent and £77m bank bills in band 2 at 14$\frac{13}{16}$-14⅞ per cent. Late assistance of £150m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £685m, with a rise in the note circulation absorbing £110m. These outweighed Exchequer transactions adding £30m to liquidity and bank balances above target of £65m.

In New York the US Federal Reserve added temporary liquidity to the banking system through $1.5bn of customer repurchase agreements, when Federal funds were trading at 8$\frac{11}{16}$ per cent. Dealers said the central bank may have lowered its Fed funds target range to 8⅝-8¾ per cent, but the general situation in the market was confused yesterday by the closure of banks in California following the earthquake in the San Francisco area.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.18) 3 months US dollars: bid 8½, offer 8⅝; 6 months US Dollars: bid 8½, offer 8⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	10½	One month	7.82
Broker loan rate	[illegible]	Two month	7.78
Fed.funds	8¾	Three month	7.66
Fed. funds at intervention	[illegible]	Six month	7.76

Oct.18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.90-8.00	7.90-8.05	7.90-8.05	8.00-8.20	7.95-8.15	8.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.50
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Dublin	10-10⅛	10⅛-10¼	10¼-10⅜	10⅜-10½	10⅞-11	-

LONDON MONEY RATES

Oct 18	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15¼	15	15½	15⅛	14⅞	14⅝
Interbank Bid	2	14¾	15	15	14$\frac{13}{16}$	14⅜
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	15	15	15	14⅞	[illegible]
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	15	14⅞	[illegible]	[illegible]	-	-
Company Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	[illegible]	[illegible]	-	-
Bank Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Fine Trade Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Dollar CDs	-	-	[illegible]	[illegible]	[illegible]	8.40
SDR Linked Dep. Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	-	-	10⅜	10⅝	10½	10½

Treasury Bills (sell); one-month 14$\frac{13}{16}$ per cent; three months 14½ per cent; Bank Bills (sell); one-month 14$\frac{13}{16}$ per cent; three months 14⅝ per cent; Treasury Bills; Average tender rate of discount 14.5687 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 29, 1989. Agreed rates for period October 25, 1989 to November 25, 1989, Scheme I: 14.82 p.c. Schemes II & III: 15.27 p.c. Reference rate for period Sept.1, 1989 to Sept.29, 1989, Scheme IV&V, 14.018 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from October 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 10½ per cent from May 25,1989, Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

JOTTER PAD

CROSSWORD

No.7,067 Set by CINEPHILE

ACROSS
1 Cereal mixture eaten by player – step on it! (11)
7, 9 Standard weapon, in a manner of speaking (9)
10 Good character becomes a devil about St David's day (9)
11 Extreme, maybe following labour and followed by care (9)
12, 13 Out there, part of county for County Cricket Club initially (5,7)
15, 18 Moderate from D to C, for example (4,4)
20, 23 Lease dwelling for monastery (12)
24 Model takes knocks for ceremonial adornments (9)
26 Press confused in face of broadcasting? (9)
27, 28 Theatrically not the strait and narrow? (8)
29 Vehicle taking vehicles on road: I leave trains to railway worker (11)

DOWN
1 Tory landslide? That will do (3,5)
2 Benjamin or Lambert could be Planck, it's true (8)
3 When in bond I don't get up (3,2)
4 Scottish home in danger? Cancel (7)
5 Trial about English politician causes storm (7)
6 Hope country may get two lots of air with NUT (9)
7 This could make one depart in pieces (6)
8 Double in the belfry (6)
14 Revolution needed lest 'Oover had more than one presidency (9)
16 Project also found among valiant (5,3)
17 Champion is more coarse about sex appeal (6)
19 Girl in green at a shady spot (7)
20 Boy goes to church at old French town (7)
21 Entertainment without publicity will be nothing substantial (6)
22 Over-effusive about Pole that's afraid of fire (3-3)
25 Father born to see Picasso? (5)

Solution to Puzzle No.7,066

WORLD STOCK MARKETS

CANADA

TORONTO
4pm prices October 18

MONTREAL
4pm prices October 18

Total Sales 6,061,887 shares.

INDICES

NEW YORK

DOW JONES	Oct 18	Oct 17	Oct 16	Oct 13	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2643.65	2638.73	2657.38	2569.26	2791.41 2 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	92.70	92.74	93.00	93.06	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1247.87	1254.27	1304.23	1406.29	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.97	214.54	214.73	211.96	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2664.34 (2665.37) Low 2610.66 (2588.73)

STANDARD AND POOR'S

	Oct 18	Oct 17	Oct 16	Oct 13	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	341.76	341.16	342.86	333.66	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials (latest)	390.22	389.34	391.33	379.66	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	33.00	32.90	33.17	32.45	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	189.32	188.89	189.76	185.56	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	378.07	375.16	376.41	378.45	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	463.28	459.93	460.98	467.29	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct 13	Oct 6	Sep 29	year ago (approx.)
Dow Industrial Div. Yield	4.01	3.62	3.74	3.63
	Oct 11	Oct 4	Sep 27	year ago (approx.)
S & P Industrial div. yield	2.82	2.82	2.90	3.19
S & P Indl. P/E ratio	14.91	14.90	14.42	13.03

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
AMR	2,826,900	74⅛	+ ⅞
Philip Morris	2,576,900	43⅝	+ ⅛
UAL	2,329,200	191¾	− 6⅛
AT&T	2,084,800	42½	+ ⅛
Bristol Myers	1,811,700	51	− ⅜
Pac G&E Co	1,723,800	19⅝	− ⅛
IBM	1,563,900	101¾	− ½
Chevron	1,481,200	65	+ 1
Fannie Mae	1,341,300	41½	− ⅛
Anacomp	1,319,300	4⅝	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Oct 18	Oct 17	Oct 16
New York	166.900	224.070	419.342
Amex	12.355	16.651	30.447
NASDAQ	(u)	161.474	242.843
Issues Traded	1,934	1,979	1994
Rises	811	635	767
Falls	662	941	939
Unchanged	461	403	288
New Highs	8	3	4
New Lows	33	35	232

CANADA

TORONTO	Oct 18	Oct 17	Oct 16	Oct 13	1989 HIGH	1989 LOW
Metals & Minerals	3551.33	3527.1	3601.7	3478.3	3919.2 (1/9)	3207.5 (3/1)
Composite	3929.51	3904.2	3927.3	3870.8	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2009.55	1997.39	2012.26	1971.72	2069.68 (10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 18	Oct. 17	Oct. 16	Oct. 13	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1629.2	1662.6	1600.7	1741.9	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	788.5	801.5	770.0	843.9	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	475.06	482.45	470.01	503.49	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6368.67	(u)	6567.96	6670.45	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	328.83	329.12	321.69	336.59	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	670.8	677.7	666.0	690.1	815.8 (18/4)	666.0 (16/10)
FRANCE						
CAC General (31/12/82)	519.9	526.5	523.5	553.2	561.6 (11/10)	417.9 (4/1)
Ind. Tendance (30/12/88)	117.5	118.6	115.4	125.7	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	632.26	623.02	582.8	672.53	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1878.7	1850.8	1731.0	2000.5	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1491.14	1475.44	1385.72	1589.28	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2628.55	2695.90	2601.70	2782.30	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1730.25	1695.06	1635.82	1762.90	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	656.34	668.33	642.95	691.93	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35107.56	34996.08	34468.69	35116.02	35689.98 (28/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2642.88	2639.66	2600.88	2646.54	2703.58 (2/10)	2366.91 (6/1)
2nd Section (4/1/68)	3689.86	3693.39	3655.40	3756.36	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	256.2	252.2	249.5	264.6	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	197.0	193.9	191.9	203.4	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	635.37	631.01	605.86	677.36	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1197.26	1222.83	1212.21	1288.62	1288.62 (13/10)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1310.22	1341.83	1285.04	1427.88	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1501.0♦	1491.0	1399.0	1525.0	1710.0 (27/9)	1291.0 (15/2)
JSE Industrial (28/9/78)	2467.0♦	2450.0	2306.0	2610.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	917.19	927.69	927.21	932.42	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	308.73	311.12	301.27	322.40	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4272.4	4258.75	4112.31	4445.86	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	766.3	761.6	734.2	806.4	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	9968.28	10100.52	9690.20	10272.33	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	673.18	686.79	661.45	705.60	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	526.6	522.3	524.7	551.2 (3/8)	487.6 (13/6)

**Saturday Oct.14: Taiwan Weighted Price: 10019.68. Korea Comp Ex. 934.41.
♦ Subject to official recalculation.
Base values of all indices are 100 except; Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday October 18 1989

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Ryn	33.8m	905	+95
Tokyu Cnstr	27.5m	1,490	+20
Nippon Steel	24.1m	735	0
Tokyu Land	18.1m	1,630	+40
Mitsui M&S	17.7m	900	+33
Tokyu	16.5m	2,080	+90
Wakachiku	15.4m	2,200	+30
Toko Inc	13.8m	1,100	+10
Amada Washino	12.2m	1,230	+80
Sumitomo Metal	10.8m	698	-17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4pm prices October 18

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37⅞	21¼	AAR	.48	1.4	22	200	36	35½	35½	- ¼
9⅞	8⅞	ACM n	1.01	11.		250	9⅛	9⅛	9⅛	
11⅝	10¼	ACMIn	1.28a	11.		304	11⅝	11⅜	11½	
10⅛	8	ACM M	n1.01	12.		482	8⅝	8⅛	8⅜	- ⅛
11½	10	ACM Se	1.26	11.		972	11¼	11⅛	11⅛	+ ⅛
9⅞	8⅛	ACMSp	1.01	11.		646	9	8¾	9	+ ⅛
16	11½	AL Lab	.12	.8	17	59	15⅞	15¼	15⅛	+ ⅝
4⅛	3⅛	AMCA	.12e	3.3	24	237	3⅝	3½	3⅝	+ ⅛
6⅛	4½	AM Intl			11	776	5⅜	5	5	
23½	20⅝	AM In pf	2	9.3		6	21⅝	21½	21½	+ ⅛
107¼	48½	AMR			8	28352	75¼	70⅝	74	+ ¾
24⅞	23⅛	ANR pf	2.12	8.8		2	24⅛	24⅛	24⅛	
7⅞	3¾	ARX				139	4	3⅞	4	+ ⅛
46⅞	37¼	ASA	3a	6.7		648	45	44½	44⅝	+ ⅛
30¼	15¼	AVX	.24	.8	13	197	28¾	28⅜	28⅝	- ⅛
68½	44⅛	AbtLab	1.40	2.1	16	4266	66½	64½	66¼	+ 1¼
18¼	13½	AbitiBl g	1			53	13⅝	d13⅜	13½	- ⅛
13	7½	AcmeC	.40	3.9		117	10½	10¼	10¼	- ⅛
9¼	5¾	AcmeE	.32	3.7	10	15	8⅝	8⅝	8⅝	
38½	20¼	Acusn			25	395	35⅝	35¼	35¼	- ½
17	14¼	AdaEx	1.82e	11.		110	16⅛	15¾	16	
12⅝	6½	Adobe				7	11¼	11¼	11¼	
19⅞	16½	Adob pf	1.84	9.7		1	19	19	19	+ ⅛
21⅞	19¾	Adob pf	2.40	11.		9	21¼	21¼	21¼	
10½	7⅛	AMD				2330	8½	8	8⅜	+ ⅛
35	28¼	AMD pf	3	10.		7	29¼	28⅞	28⅞	- ¼
10⅛	6⅞	Advest	.12	1.5	14	116	8	7⅞	7⅞	
60⅛	48	AetnLf	2.76	4.6	9	4521	59½	58¼	59½	+ 2⅛
14	12⅞	AflPb				745	13⅛	13	13	+ ⅛
25	15⅛	Ahmans	.88	4.0	11	1936	22⅝	22	22⅛	- ⅛
4¼	2⅛	Aileen				65	2⅞	2⅞	2⅞	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
44¼	25¾	XTRA	.72	2.8	8	31	26⅛	25⅞	26	
4¾	2	Zapata				159	2⅝	2⅜	2½	
15½	9½	Zemex	.40	4.2		42	9⅝	9½	9½	− ⅛
21⅝	13½	ZenithE				1304	14	13⅝	13⅞	+ ⅛
10⅞	7¼	Zenlac	1.26	16.		x269	8⅛	8	8⅛	+ ⅛
2½	⅞	vjZenLb				692	11-16	⅝	⅝	− ⅛
21½	15	ZenNtl	.84	4.5	9	63	18⅞	18⅝	18⅞	+ ⅛
18½	12¼	Zero s	.40	2.4	16	738	16¾	16½	16⅝	
44⅞	25¾	Zurn	.88	1.8	19	141	39¼	38⅞	38¼	− ⅝
12⅞	10	Zweig	1.12e	9.7		358	11½	11⅛	11½	+ ⅛
10⅛	8¾	ZweigTl	.96	10.		1799	9⅝	9½	9⅝	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices October 18

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
ProMed	.42	15	11	5	6	5	+ ⅛
ProfCre		11	30	5¼	5⅛	5¼	+ ⅛
– R – R –							
RBW		12	20	6⅞	6¾	6⅞	− ⅛

NASDAQ NATIONAL MARKET

3pm prices October 18

Stock	Div.	Sales 100s	High	Low	Last	Chng
Xicor		9 542	4⅞	4½	4⅝	
YanEnS	.30e	40	21¾	21¾	21½	+ ¼
YelowF	.76	9 1182	25¾	d24½	25¾	− ⅛
YorkRe		696	5⅞	5⅛	5⅞	
ZionUt	1.44	22	29½	29¼	29¼	+ ¾

AMERICA

Insurance issues rise after earthquake

Wall Street

THE SEVERE earthquake in the Bay Area around San Francisco perversely helped the Dow Jones Industrial Average to a small gain yesterday as insurance companies surged on *anticipation that they would raise premiums, writes Janet Bush in New York.*

The Dow average fell at the opening in an immediate reaction to the earthquake, recovered strongly and then dipped back to close only 4.92 points higher at 2,643.65. Volume was moderate at 167m shares. The American Stock Exchange Index and the Nasdaq Composite Index also showed gains.

Equity trading during the morning was dominated by reaction to the earthquake, with investors looking carefully at which companies might be hurt by the disaster and which might stand to benefit.

A spokesman at the Pacific Stock Exchange said the exchange, located both in Los Angeles and San Francisco, would stay open. The Los Angeles floor, where most of the exchange's listed stocks are traded, was fully operational and the San Francisco floor was kept open on a limited basis.

Options are mostly traded in San Francisco and the spokesman said there would be no options trading yesterday. The exchange might temporarily transfer options activity to other exchanges.

Trading was rather light during the morning, partly because there was no telephone service available at several brokerage houses in the San Francisco area.

Stocks fell in an initial reaction to news of the disaster on worries about the impact of the earthquake on insurance and technology companies in the area.

US insurance stocks had been sold in London before New York trading began, but rebounded strongly, leading the market higher, as the US session got under way and analysts guessed that the combined pay-outs due after Hurricane Hugo and this earthquake would force companies to raise premiums.

Among insurers, Aetna Life & Casualty added $2⅜ to $59⅞ and General Re closed $2⅞ higher at $86⅞.

The surge in the insurance sector was somewhat offset by falls in stocks of companies with operations in the area affected by the earthquake.

Technology companies, for example, came under a little pressure. Sun Microsystems dropped $⅛ to $17⅞ and Genentech, which swiftly put out a statement saying there would be no disruption to its product distribution, dipped $⅛ to $19⅝.

Two cement manufacturers and two companies providing disaster relief services for companies that depend on computers jumped, on anticipation of increased business after the earthquake. Lone Star Industries rose $1⅞ to $29⅞, CalMat added $2⅞ to $28⅝, SunGard Data Systems gained $1⅞ to $21⅞ and Comdisco rose $⅞ to $29⅞.

Apart from reaction to the earthquake, UAL continued to be a major focus. At one point, UAL touched a low of $166, but the stock then recovered to stand $5⅞ lower at $191⅞.

After its dramatic plunge since Friday, the Dow Jones Transportation Average had appeared to be stabilising, but it dropped again yesterday to close 6.40 points lower at 1,247.87.

It is difficult to tell what the underlying tone of the equity market was yesterday because of the extraordinary impact of the earthquake, which came so soon after the nerve-racking events in the markets since Friday. Overall, however, the markets seemed less nervous and volatile.

Canada

A SOLID gain in Toronto came in fairly active trading, although share prices fell back slightly from the day's highs.

The composite index began the day lower, but closed 25.26 higher at 3,929.51.

Belmoral Mines rose 22 cents to 85 cents in heavy trade after reaching an agreement for Aur Resources to lend it C$4m for working capital. The two companies also plan talks on Aur taking a more significant investment in Belmoral. Aur closed up C$⅜ at C$12.

SOUTH AFRICA

THE RISING bullion price pulled Johannesburg gold shares slightly higher. Vaal Reefs gained R5 to R305 and Randfontein added R2 to R197.

Belgians greet blackboard's return

Foreigners, however, were not so amused, writes **Lucy Kellaway**

IT FELT like the first day of term at the grandiose Belgian bourse yesterday. On a blackboard high above the heads of hundreds of brokers, the share prices of 52 of Belgium's biggest companies were written in large chalk letters – marking a triumph for man over machine.

Since the Wall Street mini-crash of Friday afternoon, there has not been a squeak out of Brussels' new Computer Assisted Trading System (CATS); and for two critical days, while the rest of the world groped its way towards a new price level, in Brussels there has been no market at all.

In despair, the stock exchange ordered that traders should return to the old open outcry system and stay that way until the two sharp shooters flown in from Toronto find out what has gone wrong with CATS.

It is all highly embarrassing for Mr Jean Peterbroeck, the president of the stock exchange, who installed the system at the beginning of the year as the centre piece of a *programme of reforms* designed to bring Belgium's antiquated and parochial market up to date.

Man triumphs over machine in Brussels yesterday

But from the excited babble yesterday on the familiar old trading floor, one would never have guessed that the market was suffering from a humiliation. The chief impression from the local traders yesterday was simply one of pleasure. "It is so nice to see all my friends again," said one. "I haven't *been back here since February*, and it's great to talk to people about prices – it gives you a much better feeling for the market."

In spite of the fact that most brokers have lost a great deal of revenue over the last two days, few seemed inclined to blame the stock exchange – either for introducing a system that packs up at the first sign of trouble, or for waiting two days before announcing a return to the blackboard and chalk.

A broker from one of the biggest firms commented stoically: "New systems always have problems at first – Paris and Toronto suffered similar embarrassments; it's just a pity that ours happened at such a sensitive time."

Some even regarded the timing as a blessing, as it had protected investors from making big losses by selling in Monday's panic. Judging by the flow of orders from small Belgian clients on Monday morning, if CATS had been working, they would have fared no better than their German counterparts, who seem to have sold too quickly. As it turned out, the same investors were back *in the market yesterday*, choosing to buy at what they considered bargain prices.

Viewed through foreign eyes, however, Brussels has undergone rather more than a little electronic accident. Many foreign brokers were already unhappy with the CATS system, which they felt provided insufficient price information to third parties, making the quotations opaque and open to manipulation. But to turn illiquid just as everybody wants to trade is seen as unforgivable.

In spite of such complaints, there is no sign that the stock exchange is willing to make any fundamental changes to the system. Mr Peterbroeck said yesterday that there had been a minor problem with the software, and that trading was likely to start again by next Tuesday. Clearly the hope is that, by then, the whole thing will have been forgotten.

Brussels may just get away with it – but only because it has had the market on its side. If prices had continued to fall as they did in October 1987 and investors had found themselves unable to sell as prices went down, Brussels might have found itself, as Hong Kong did two years ago, with a lot more explaining to do.

ASIA PACIFIC

Nikkei advances despite hesitation by institutions

Tokyo

INVESTORS kept their nerve yesterday and the market put in a strong performance, with the Nikkei average closing above 35,000 for the first time in three trading days, *writes Michiyo Nakamoto in Tokyo.*

Share prices started on a hesitant note. The rise in the dollar, in spite of the increase in the US trade deficit announced after the close on Tuesday, spread a measure of caution in the equity market.

If the dollar continued to rise, this would affect market sentiment. This had improved significantly on hopes of lower US interest rates, a weaker dollar and a stronger yen, leading to lower Japanese interest rates and a return of liquidity to the equity market.

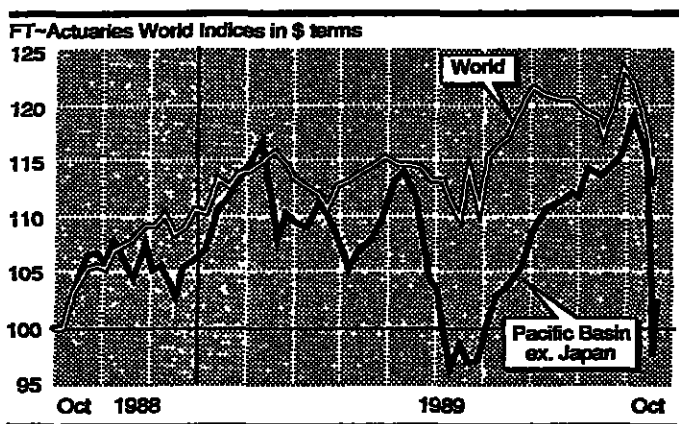
Nevertheless, the Nikkei managed to climb yesterday to a high of 35,152.04 before closing up 111.48 at 35,107.56. The day's low was 34,991.67.

There were still signs of indecision and institutional investors preferred to stay on the sidelines. Declines led advances by 505 to 455 while 172 issues were unchanged. Turnover improved to 841m shares from the 678m traded on Tuesday. The Topix index of *all listed shares gained a modest* 0.24 to 2,642.88 and, in London, the ISE/Nikkei 50 index added 1.54 to 2,032.50.

Although sentiment remained good yesterday, investors were clearly losing their sense of direction. Mitusbishi Rayon, for example, topped the most actives list with 33.8m shares and gained Y95 to Y905 on the months-old news that it has developed an edible film which will go on the market next month. "Investors are buying whatever seems to be going up," one broker said.

Construction companies were among the bigger counters strongly recommended by the leading Japanese brokers, on the possibility of lower interest rates and as laggards. Tokyu Construction, second in volume with 27.5m shares, advanced Y20 to Y1,490.

Tokyu Land also attracted active buying and firmed Y40 to Y1,630 while Tokyu Corp rose Y90 to Y2,080. The Tokyu companies have been popular on speculation that shares owned by the late chairman might be sold to a third party.



Nippon Steel, third in volume, was unchanged at Y735 after rising Y8 to Y743 during the day. Although it had shown recovery potential after a recent correction, the rise in the dollar turned it sluggish.

Big companies led the Osaka OSE average up 142.52 to 35,971.02. Volume climbed to 61.9m shares from 44.9m.

Roundup

THE EARTHQUAKE in Calif*ornia hit markets in the Pacific* Basin, as dealers worried about US insurance companies, their equity holdings and the general effect on sentiment, *writes Our Markets Staff.*

AUSTRALIA responded to the quake with a sharp decline in prices in moderate trade. "The Australian market is very nervous and a bit fickle," said one broker. "There's not a lot of natural business."

The All Ordinaries index, which has tracked Wall Street closely all week, ended 33.4 lower at 1,629.2, a fall of 2 per cent, although it rose above its *day's lows following afternoon* bargain-hunting. On Tuesday, it had recovered by 3.9 per cent from Monday's 8 per cent fall.

Losses were widespread, with News Corp dropping 75 cents to A$12.75, after recouping 45 cents on Tuesday, and BHP falling 30 cents to A$9.16.

Bond Corp ended 2 cents weaker at 27 cents after news that its brewing deal with Lion Nathan of New Zealand was being held up, apparently because of delays in producing Bond Corp's accounts. Bell Resources, which is part of the deal, fell 3 cents to 82 cents. If the accounts are not produced by Monday, Bond companies face suspension from trading.

HONG KONG shivered in sympathy with California, and the Hang Seng index dropped 67.35 of Tuesday's 94-point gain to finish at 2,628.55 – a 2.5 per cent fall. Turnover shrank from HK$1.8bn to HK$1.1bn.

SINGAPORE had local concerns, as well as international ones. The Straits Times industrial index fell a provisional *31.61, or 2.5 per cent, to* 1,310.22, as two directors of City Development, the property group, were charged in court for criminal breach of trust. Volume fell to 178m shares from 214m.

The City Development charges come after three *months of market rumours.* The shares were among the most active, 4.2m changing hands in a fall of 8 cents to S$3.64 – up from an intra-day low of S$3.38 once it became known the charges were limited to the two men personally.

SEOUL lost ground on liquid*ity concerns after reports that* deposits at securities houses had fallen sharply. The composite index shed 10.50 to 917.19 in low volume.

NEW ZEALAND followed Australia, losing 38.58 points on the Barclays index to 2,137.84, a drop of 1.8 per cent.

MANILA dropped 2 *per cent,* with the composite index off 25.57 at 1,197.26.

EUROPE

Familiar array of influences comes to fore

CALIFORNIA apart, old inclinations returned to Continental bourses yesterday, as they moved on an array of influences including rumours, fundamentals and fear, *writes Our Markets Staff.*

PARIS was in full, speculative form, ending close to its highs in very heavy turnover and showing sharp rises in stocks such as Perrier and Navigation Mixte. There was some midsession nervousness about what Wall Street might do, but that was soon erased.

Perrier, the mineral water producer which is frequently the subject of takeover rumours, surged FFr249 or 14 per cent to FFr1,999 amid suggestions that either Sweden's Volvo or Coca-Cola of the US was interested. Exor, which has a substantial holding in Perrier, climbed FFr179 to FFr1,860 in sympathy.

Navigation Mixte, also a rumoured takeover target, rose FFr153 to FFr1,754 as 227,000 shares changed hands. Allianz, the West German insurance group which has made a friendly deal with Mixte, now holds more than 5 per cent, while Paribas, the French banking group, has over 10 per cent. Navigation Mixte, meanwhile, is said to be building a defensive stake in Paribas, up FFr34 at FFr624 on 874,000 shares traded.

The CAC 40 index was up 22.44, or 1.2 per cent, at *1,828.13, with volume estimated* at FFr5bn.

FRANKFURT recovered further in a flow of domestic, small investment business. The session had to be extended once again, this time by 30 minutes; and the DAX index, up 6.5 per cent on Tuesday, rose another 15.70 points, or 1 per cent, to 1,491.14. Earlier, the FAZ ended 9.21, or 1.5 per cent, higher at 632.23.

Chemical shares participated fully in the recovery, as Bayer rose DM6 to DM289. Otherwise, old themes re-established themselves: retailers rose on tax cuts and extended shopping hours, with Karstadt up DM11.50 at DM592; and, at the heavy end of the economy, Linde gained DM14 to DM765 and Hoesch picked up DM11 to DM251.

MILAN reverted to the *autumn blues, with no buyers* around – particularly no small investors, who accounted for a significant proportion of the selling on Monday. The Comit index fell 11.99 to 656.34 in volume described as high, but down from Monday's and Tuesday's levels.

The market's newest arrival, the chemical group Enimont, dropped L24 to L1,396. Tuesday's close and its initial offer price coincided at L1,420.

ZURICH closed mostly higher in lively trading, the Crédit Suisse index rising 2.0 to 616.2. Brown Boveri maintained its appeal as an improving blue chip, applying new Swedish management to a good Swiss engineering business, and the bearers rose another SFr200 to SFr5,150.

AMSTERDAM was guided by the UK and US markets, showing little interest in local developments. Following London up in the morning, it then came off on nervousness that Wall Street might open weaker, before picking up again. The CBS tendency index rose 2.4 to 185.0.

The backlog of orders from two days of hectic turnover was gradually being sorted out, but the start of trading was still staggered, beginning with the top 30 stocks. Smaller stocks were given just two quotes. Turnover was expected to be back to normal after reaching Fl 2.8bn on Monday and Fl 1.5bn on Tuesday.

Daf rose Fl 1 to Fl 49.40 after news that it was to form a joint venture with Renault to make light commercial vehicles.

MADRID wound down after two days of busy selling and then buying, largely by small investors. The general index fell 2.39 to 308.73 and volume appeared to be much lower than Tuesday's hefty $178m.

STOCKHOLM volume shrank but shares gained some ground towards the close. The Affärsvärlden General index edged up 3.9 to 1,255.6. Turnover was worth SKr250m, compared with about SKr600m on Monday and Tuesday.

Interim results lifted Nobel restricted B shares SKr6 to SKr228. SKF, which reports next week, saw its free Bs rise SKr4 to SKr157.

OSLO was supported by the rising price of Norway's North Sea oil. The all-share index rose 3.78 to 491.61.

HELSINKI eased 1 per cent on the Unitas all-share index in thin turnover. The index lost 6.9 to 670.8. Nokia, the electronics and industrial group, fell FM6.75 to FM89.75 on news of a decline in eight-month results.

INSURANCE stocks showed a mixed reaction to the Californian earthquake. In Frankfurt, Munich Re, the world's largest reinsurance group, dropped DM100 to DM2,400, a fall of 17 per cent since last Friday. The three-day fall probably reflected delayed recognition of the more costly Hurricane Hugo as well as yesterday's news from San Francisco.

Allianz, Europe's largest insurance concern and much less exposed, fell DM29 to DM2,050. In Zurich, Swiss Re bearers fell SFr425, or 3.2 per cent, to SFr12,975, after it said that it expected to pay significantly less than SFr100m in earthquake claims.

In Milan, the whole sector fell; Generali lost L940 to L42,010, in spite of company predictions that 1989 consolidated premium income would rise more than 10 per cent.

Dutch insurance stocks closed higher as the market realised that only NatNed was, very marginally, exposed to the US West Coast through a reinsurance subsidiary.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 18 1989						TUESDAY OCTOBER 17 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	145.21	−1.5	135.53	125.37	−1.8	5.27	147.48	138.17	127.68	160.41	128.28	147.54
Austria (19)	164.59	−1.4	153.62	158.55	−1.4	1.53	166.91	156.37	160.77	172.22	92.84	93.86
Belgium (63)	140.56	−2.7	131.19	135.36	−2.6	4.09	144.49	135.37	138.97	144.49	125.56	126.85
Canada (122)	149.88	+0.7	139.88	127.41	+0.5	3.22	148.81	139.42	126.72	154.17	124.67	124.39
Denmark (36)	199.75	+0.0	186.43	196.15	+0.0	1.62	199.73	187.12	196.14	219.69	165.35	140.36
Finland (26)	125.09	−0.2	116.75	111.68	−0.5	2.53	125.34	117.43	112.19	159.16	123.12	118.63
France (126)	132.60	+1.2	123.76	130.94	+1.1	2.88	131.02	122.75	129.48	139.94	112.57	103.42
West Germany (97)	96.74	+1.4	90.29	93.22	+1.5	2.20	95.38	89.36	91.88	103.84	79.56	85.23
Hong Kong (48)	110.89	−2.4	103.50	111.18	−2.4	5.08	113.64	106.46	113.93	140.33	86.41	106.28
Ireland (17)	161.26	+2.2	150.51	157.96	+2.3	2.80	157.75	147.79	154.36	166.69	125.00	141.28
Italy (97)	88.29	−1.9	82.41	90.01	−1.9	2.54	89.97	84.28	91.78	96.73	74.97	83.38
Japan (455)	184.29	−0.1	172.01	165.01	+0.1	0.49	184.45	172.81	164.92	200.11	164.22	167.73
Malaysia (36)	193.12	−3.0	180.25	200.37	−3.0	2.65	199.16	186.59	206.61	209.22	143.35	136.63
Mexico (13)	307.30	+2.3	286.82	877.94	+2.4	0.59	300.48	281.51	857.47	326.61	153.32	158.09
Netherland (43)	127.33	+1.7	118.84	121.61	+1.7	4.36	125.25	117.34	119.56	131.72	110.63	108.37
New Zealand (19)	77.72	−0.8	72.54	69.97	−1.3	5.04	78.35	73.40	70.87	88.18	62.64	72.22
Norway (24)	172.56	+0.7	161.06	162.08	+0.8	1.60	171.37	160.55	160.73	198.39	139.92	118.05
Singapore (26)	156.06	−2.5	145.66	140.67	−2.6	2.11	160.06	149.96	144.39	170.62	124.57	119.55
South Africa (60)	143.43	+0.1	133.87	122.53	+0.8	4.65	143.24	134.20	121.60	160.24	115.35	110.76
Spain (43)	157.99	−0.9	147.46	141.47	−0.7	3.69	159.47	149.40	142.49	169.75	143.14	146.97
Sweden (35)	176.68	−0.1	164.90	168.37	+0.0	2.04	176.86	165.69	168.35	188.94	138.45	127.29
Switzerland (64)	86.68	+0.4	80.90	87.38	+0.6	2.16	86.33	80.88	86.90	94.16	67.81	81.93
United Kingdom (306)	140.77	+2.0	131.39	131.39	+1.7	4.62	137.95	129.24	129.24	158.41	139.28	136.41
USA (547)	138.84	+0.2	129.59	138.84	+0.2	3.33	138.59	129.84	138.59	146.29	112.13	113.03
Europe (996)	123.99	+1.1	115.73	118.07	+0.9	3.55	122.70	114.95	117.00	132.85	112.63	112.28
Nordic (121)	164.57	+0.0	153.60	152.23	+0.1	1.87	164.56	154.17	152.14	178.38	137.95	120.27
Pacific Basin (669)	179.99	−0.2	167.99	161.36	−0.1	0.73	180.33	168.95	161.47	194.72	160.44	164.40
Euro – Pacific (1665)	157.68	+0.2	147.17	144.03	+0.2	1.63	157.35	147.42	143.67	166.98	141.56	143.58
North America (669)	139.40	+0.2	130.11	138.14	+0.2	3.32	139.10	130.32	137.85	146.66	112.79	113.63
Europe Ex. UK (690)	112.76	+0.4	105.24	109.77	+0.4	2.82	112.33	105.24	109.31	118.51	96.30	97.17
Pacific Ex. Japan (214)	128.36	−1.9	119.81	115.96	−2.0	4.87	130.80	122.54	118.38	140.05	111.93	124.24
World Ex. US (1860)	157.36	+0.2	146.87	143.50	+0.3	1.71	157.01	147.10	143.13	166.35	141.49	142.60
World Ex. UK (2101)	150.59	+0.0	140.56	142.91	+0.1	2.02	150.53	141.02	142.75	158.04	136.98	130.84
World Ex. So. Af. (2347)	149.74	+0.2	139.75	141.95	+0.2	2.22	149.42	139.99	141.62	155.92	136.67	131.26
World Ex. Japan (1952)	133.35	+0.4	124.46	130.04	+0.4	3.48	132.79	124.40	129.56	140.43	114.51	113.62
The World Index (2407)	149.70	+0.2	139.72	141.82	+0.2	2.24	149.38	139.95	141.48	155.89	136.68	131.13